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Wednesday,
31th August, 1955

सत्यमेव जयते

PARLIAMENTARY DEBATES

HOUSE OF THE PEOPLE

OFFICIAL REPORT

PARLIAMENT SECRETARIAT
NEW DELHI

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LOK SABHA DEBATES

(Part I—Questions and Answers)

Acc. No......25461
Dated.......11.02.2

LOK SABHA

Wednesday, 31st August, 1955.

The Lok Sabha met at Eleven of the Clock.

[MR. SPEAKER *in the Chair*]

ORAL ANSWERS TO QUESTIONS

Child Welfare

***1255. Shri Radha Raman** : Will the Minister of **Education** be pleased to state:

(a) whether Government is aware of the fact that the All India Balkanji Bari Workers Conference held its 8th annual Session at Bombay on the 20th March, 1955 ;

(b) whether the Conference made any recommendations to the Central Government regarding Child Welfare work in the country.

(c) if so, what are they; and

(d) whether Government have considered them and propose to implement any of them ?

The Parliamentary Secretary to the Minister of Education (Dr. M. M. Das): (a) and (b). Yes, Sir.

(c) A copy of the resolutions passed at the conference is laid on the Table of the Sabha [*See* Appendix VII, annexure No. 29].

(d) The recommendations which concern the Government of India are under consideration.

Shri Radha Raman : May I know if the Union Government would think of preparing a co-ordinated plan of child welfare work in the country so that these different agencies which are working find a more helpful atmosphere for the child welfare ?

Dr. M. M. Das : What is the number of the resolution that the hon. Member is referring to ?

Shri Radha Raman : Arising out of the resolution, a copy of whichh as been laid on the Table, I am asking this question whether in view of the preparation of the second Five Year Plan the Government would think of preparing a co-ordinated plan for child welfare work in the country.

Dr. M. M. Das : So far as child welfare and welfare of handicapped children and women are concerned, the Central Social Welfare Board is doing a lot of works. But on the question whether a co-ordinated plan will be evolved or not, I do not know whether it is included in the Five Year Plan.

The Deputy Minister of Education (Dr. K. L. Shrimali) : I should like to add that child education is primarily a subject of the State Government, but the Government of India have also initiated a large number of projects for the benefit of women and children.

Shri Radha Raman : The Parliamentary Secretary stated that the resolutions which concern the Union Government are receiving the active consideration of the Government. May I know how long it will take ? These resolutions were passed as far back as eight or nine months. How much time will it take for Government to finalise its consideration ?

Dr. M. M. Das : It was not eight or nine months ago. The conference was held on the 20th March, 1955. So I do not think that nine months have already elapsed.

Educated Unemployment

***1256. Shri D. C. Sharma** : Will the Minister of **Education** be pleased to state:

(a) the amount given to the Punjab State during 1954-55 under the Scheme to relieve educated unemployment; and

(b) the number of persons benefited in that State thereby ?

The Parliamentary Secretary to Minister of Education (Dr. M. M. Das) : (a) Rs. 31,44,688.

(b) 5,522.

Shri D. C. Sharma : May I know the principle on which these allotments are made to the various States ?

Dr. M. M. Das : It was an emergency scheme to give relief to the educated unemployed.

Shri D. C. Sharma : May I know whether allotments are made to a State on the basis of population or on the strength of the number of unemployed persons as registered in the employment exchanges, or on some other consideration ?

Dr. M. M. Das : I speak subject to correction. Quotas have been fixed for each State; most probably these quotas have been fixed on a population basis, but I speak ubject to correction, as I said.

Shri D. C. Sharma : May I know if any similar provision is contemplated under the Second Five Year Plan ?

Dr. M. M. Das : Up till now we have not received any information about that.

Shri Punnoose : May I know which State has got the largest percentage of unemployed and the amount that State gets ?

Dr. M. M. Das : It is difficult to say which State has got the largest number of unemployed persons.

Shri Punnoose : Percentage.

Mr. Speaker: I may point out to hon. Members that while they put supplementaries they must know what the principal question has been. Here the principal question is limited only to Punjab.

Shri Punnoose : I asked the question because the Parliamentary Secretary stated that it was on a certain percentage basis. So I wanted to know.

Gorkha Reserve

*1258. **Shri Krishnacharya Joshi :** Will the Minister of **Defence** be pleased to state :

(a) whether it is a fact that Government have revived the reserve service for Gorkhas; and

(b) if so, the total number of Gorkhas who have joined the reserve service of the Indian Army ?

The Deputy Minister of Defence (Sardar Majithia) : (a) Yes.

(b) It is not in the public interest to disclose the information.

Shri Krishnacharya Joshi : What is the object of reviving this reserve force for Gorkhas ?

Sardar Majithia : The reserve force for the Gorkhas existed before the last Great War, and during that war all the reservists were called up thus depleting this reserve altogether. Therefore, we have again thought it fit to revive this reserve force.

Shri Krishnacharya Joshi : May I know what categories of soldiers are recruited to this reserve ?

Sardar Majithia : They are riflemen.

Pandit C. N. Malaviya : What is the amount that has been allotted for the purpose of this reserve ?

Sardar Majithia : It is all in the Defence Budget, and we are not going beyond that Budget in any case.

श्री भक्त दर्शन : क्या मैं जान सकता हूं कि इन गोरखा सैनिकों को रिजर्व में किन शर्तों पर भेजा जा रहा है ? क्या इन पर वही शर्तें लागू होंगी जो कि भारतीय सेना के सैनिकों पर लागू होती हैं जब कि वह रिजर्व में रखे जाते हैं या कोई दूसरी शर्तें ?

सरदार मजीठिया : उन पर वही शर्तें लागू होती हैं जो कि भारतीय सेना के जवानों पर लागू हैं जब कि उनको रिजर्व में रखा जाता है ।

Shri U. C Patnaik : May I know where these reservists reside during the eleven months of non-training period ?

Sardar Majithia : Naturally, in their own homes.

सोना

*१२६२. **सेठ गोविन्द दास** : क्या **प्राकृतिक संसाधन और वैज्ञानिक गवेषणा** मंत्री यह बताने की कृपा करेंगे कि जनवरी से जून, १९५५ तक भारत की सोने की खानों से कितना सोना निकाला गया ?

प्राकृतिक संसाधन मंत्री (श्री के० डी० मालवीय): १०३,६३८ आउन्स ।

सेठ गोविन्द दास : इसके पहले साल जितना सोना निकला था उससे इस वर्ष कम निकला है या ज्यादा निकला है । और अगर कम निकला है तो इसका क्या कारण

है और ज्यादा निकला है तो इसका क्या कारण है ?

श्री के० डी० मालवीय : सन् ५४ में २,४०,७१२ आउंस सोना निकला था । इस वर्ष अवश्य कम निकला है । इसका ठीक ठीक कारण तो मैं नहीं बतला सकता । लेकिन जैसे जैसे हमारी खानें गहरी होती चली जा रही है वसे वैसे सोना निकासी महंगी होती जा रही है । और उत्पादन की तैयारियां हो रही हैं सम्भवतः इसलिये कुछ और उत्पादन में बढ़ोती हो जाय ।

सेठ गोविन्द दास : क्या और कोई नई खानों की खोज के बारे में प्रयत्न किया जा रहा है और अगर किया जा रहा है तो किस क्षेत्र में, और इसमें अब तक कितनी सफलता मिली है ।

श्री के० डी० मालवीय : भारतवर्ष में कुछ सोने की खानें ऐसी भी हैं जिनसे अभी सोने का उत्पादन नहीं हो रहा है । पर ऐसी बहुत थोड़ी ही खानें हैं । उनके लिये विविध योजनायें तैयार हो रही हैं । लेकिन चूंकि सरकार इस काम को नहीं करती है और यह काम प्राइवेट सेक्टर के हाथ में है, इसलिये वह जब आगे आवेंगे तभी तो कुछ होगा ।

Shri C. D. Pande : May I know what is the cost of production of gold per ounce in India and how it compares with the cost of production in other countries; also, how do they manage to bring it to the level of market price ?

Shri K. D. Malviya : That is a question which should be put to the Finance Ministry. I am not ready to answer it.

I.A.S. Officers

*1263. **Shri Brajeshwar Prasad** : Will the Minister of **Home Affairs** be pleased to state :

(a) when the first batch of I.A.S. Officers retired ;

(b) whether the pension rules of I.A.S. officers have been finalised; and

(c) if not, when they are likely to be finalised ?

The Deputy Minister of Home Affairs (Shri Datar) : (a) Retirements from the service have so far taken place only from one category of officers, namely, those appointed thereto from the State Services. As retirement normally takes place on attaining the age of superannuation, there is no question of the officers retiring in batches.

(b) Not yet.

(c) They are likely to be finalised shortly.

Shri B. K. Ray : May I know if there were not several Provincial Administative Service officers who were promoted to the I.A.S. who have retired a long time ago ?

Shri Datar : As stated in the answer, some of these persons have actually retired.

Shri B. K. Ray : Is it not a fact that while their pension rules have not been finalised as yet, still their previous retiring benefits have been cut down by withholding their additional pensions and by reducing the commutability of pension to one-third from one-half ?

Shri Datar : I may point out to the hon. Member that interim orders have been passed and they are getting pensions, though on a provisional basis,—that is, for example, on the same basis on which they would have got the pension had they been promoted to listed posts in the former Indian Civil Service. In a few weeks' time the final pension orders also will be passed.

Shri B. K. Ray : Is it not a fact that on the floor of the other House the hon. Minister had promised on 22nd March, 1955 that within a very short time they are getting the rules finalised ?

Shri Datar : Yes, it is quite correct. But unfortunately certain differences arose between State Governments on this question. The object is to resolve all these differences and to reach unanimity so far as the extent of pension is concerned.

Shri B. K. Ray : When can we expect the final rules ?

Shri Datar : That is what I stated—in the course of a few weeks, if not months.

Shri U. C. Patnaik: May I know when Government propose to implement the promise they made three years ago in reply to one of my questions that they were finalising certain rules to regulate these ex-I.A.S. and I.P.S. personnel ?

Shri Datar : I do not understand what the hon. Member means when he refers to finalising the proposals regarding I.A.S. and I.P.S. cadres. In fact, as the House is aware almost all the other rules except the rules on pensions have already been placed on the Table of the House.

Shri U. C. Patnaik : My question three years ago related to the I.A.S. personnel taken from the State Governments and rules for their pension were assured to be finalised shortly by the hon. Deputy Minister.

Shri Datar : So far as those rules are concerned, they will be the same in respect of all persons who are taken on the I.A.S. cadre. Therefore, we are in the last stage of finalising them.

Excise Duty

*1264. **Pandit D. N. Tiwary** : Will the Minister of **Finance** be pleased to state the amount realised as additional Excise Duty on imported cloth under the Khadi and Hand-loom Industries Development Act, during the period from January to June, 1955 ?

The Minister of Revenue and Defence Expenditure (Shri A. C. Guha) : The additional duty of excise imposed under the Khadi and other Handloom Industries Development (Additional Excise Duty on Cloth) Act, 1953, is leviable only on cloth manufactured in India and not on imported cloth.

Pandit D. N. Tiwary : May I know whether there is any proposal to levy a tax because that is a fruitful source of income for developemnt of Khadi and other handloom industries ?

Shri A. C. Guha : There is no such proposal before the Government. I think the confusion might have arisen from the language used while fixing the import duty. It has been fixed in such terms as would also cover probable variation in the excise duties, including extra excise for khadi and handloom, so that there may not be any necessity of changing the specific duty. The confusion has prhaps arisen from that, but there is no such proposal to include a khadi duty on the imported cloth.

सेठ अचल सिह : क्या मंत्री महोदय यह बतलाने की कृपा करेंगे कि मिलों में बने हुये कपड़े पर जनवरी १९५५ से लेकर जून, ५५ तक की छमाही में कितनी इम्पोर्ट ड्यूटी वसूल हुई है ?

श्री ए० सी० गुह : अभी तीन, चार रोज़ पहले मैंने हाउस में एक सवाल के जवाब में बतलाया था कि मई और जून सन् १९५५—इन दो महीनों में रिड्यूस्ड इम्पोर्ट ड्यूटी (reduced importduty) जो वसूल हुई वह ७ लाख, ७५ हजार रुपये थी। कौटेन टेक्सटाईल्स (cotton textiles) जो कि इंडियन कस्टम्स् टैरिफ़ (Indian customs tariff) के आईटम (item) ४८ (३) और ४८ (६) में आते थे और जिन पर कि ड्यूटी घटाई गई थी, ३ मई, सन् १९५५ को ७ लाख, ७५ हज़ार रुपये ड्यूटी से सरकार को वसूल हुये।

लाला अचिन्त राम : क्या मंत्री महोदय बतला सकेंगे कि इम्पोर्टेड क्लाथ पर ड्यूटी लगानें में क्या रुकावटें हैं और क्या वह दूर नहीं हो सकती हैं ?

श्री ए० सी० गुह : मैंने कोई रुकावट तो नहीं बतलाई। मैंने तो कहा कि ऐसा कोई प्रस्ताव गवर्नमेंट के सामने नहीं है। गवर्नमेंट के पास कोई ऐसा सुझाव नहीं है कि उसके ऊपर भी ड्यूटी बिठाई जाय।

Corruption in Customs Department

*1266. **Shri Gidwani** : Will the Minister of **Finance** be pleased to lay on the Table of the House a statement showing:

(a) the total number of complaints of corruption against the officers of Customs Department received by Government during the years 1952 to 1954 separately;

(b) the number of complaints disposed of ; and

(c) the number of officers punished on account of these complaints ?

The Minister of Revenue and Defence Expenditure (Shri A. C. Guha) : (a) to (c). A statement is laid on the Table of the House. [*See* Appendix VII, annexure No. 30].

Shri Gidwani : According to the statement, only 8 out of the 18 officers had been punished. What happened to the remaining 10 ?

Shri A. C. Guha : You will find from the statement that 14 cases have been disposed of and the four remaining cases are still under investigation. What is the other question please?

Shri Gidwani : I am asking about the remaining 10.

Shri A. C. Guha : They have either been departmentally dealt with or acquitted by the court. Four were prosecuted by us before the court; three were acquitted; and only one was convicted. Two were under police investigation and the police recommended departmental action in regard to them. Departmental action in regard to eight officials included two dismissals.

Shri Gidwani : What is the nature of departmental punishment ?

Shri A. C. Guha : Two have been dismissed; one has been censured. In five cases, increments have been stopped.

Shri Gidwani : How many of them were gazetted officers, and how many non-gazetted officers ?

Shri A. C. Guha : These are all non-gazetted staff. There was one officer holding a post which was non-gazetted when the case started was later on upgraded into a gazetted post.

Smuggling of Arms

***1268. Shri Bhagwat Jha Azad** : Will the Minister of **Home Affairs** be pleased to state :

(a) whether Government have received any report of smuggling of arms and ammunition to the Tibetan border areas from the Northern part of West Bengal; and

(b) whether there is any custom checkpost at Kalimpong, the main export centre from India to Tibet ?

The Deputy Minister of Home Affairs (Shri Datar) : (a) No.

(b) No.

Shri Bhagwat Jha Azad : May I know whether there is any information with our Government to show that the medicine packages transported by the Indian Airlines were found to be packages of arms and ammunitions ?

Shri Datar : We have not got any such information.

Shri Bhagwat Jha Azad : The answer to part (b) is 'No'. May I know whether there is a proposal for the Government setting up such a checkpost to check smuggling ?

Shri Datar : A customs checkpost is not established because there is free trade between India and Tibet. But I may inform the hon. Member that there are two police checkposts at Pedong and Rangpo in Darjeeling district for seeing that all our orders are properly enforced and that here is no smuggling.

Shri Bhagwat Jha Azad : May I know whether all the orders are being checked and properly looked into by these two posts only and whether there is no complaint from the other side of the frontier ?

Shri Datar : These are the two posts which relate to this question and no others.

Scientific Investigations in the Antarctic

***1269. Shri A. N. Vidyalankar** : Will the Minister of **Natural Resources and Scientific Research** be pleased to state whether India will participate in the meteorological and other scientific investigations in the Antarctic Region in the geophysical year of 1957 ?

The Minister of Natural Resources (Shri K. D. Malaviya) : No, Sir.

Shri A. N. Vidyalankar : May I know the reason why the Indian Government is not participating in this investigation while as many as 52 Governments are taking part ?

Shri K. D. Malaviya : The position is like this. There are about 35 countries which are members of this International Council of Scientific Union. On their recommendation, national committees have been formed in various countries and in our country also a national committee for making observations during this international geophysical year has been planned. With regard to this particular expedition, only those nations which have got a special sea-going vessel have been assigned the task of making observations in the Polar region. Programmes have been assigned to various national committees. For instance, we have an extensive programme drawn up by a committee under the chairmanship of Dr. K. S. Krishnan, and that Committee will look after the implementation of this programme. The work has been organised on the basis of divisions of work.

Shri A. N. Vidyalankar : May I know whether the Government has received any representation from some of the scientists that they want to participate in this expedition ?

Shri K. D. Malaviya : A committee has already been formed, as I said with Dr. K.S. Krishnan as the Chairman. That is so far as the Indian national committee is concerned. In the International Council also we have been represented.

चुनाव आन्दोलन

*१२७०. **श्री राम शंकर लाल** : क्या शिक्षा मंत्री यह बताने की कृपा करेंगे कि :

(क) क्या सरकार ने इस आशय का कोई सरक्युलर निकाला है कि शिक्षण संस्थाओं के बच्चे चुनाव आन्दोलनों में भाग न लें ; और

(ख) यदि हां, तो क्या उसकी एक प्रति सभा के टेबल पर रखी जायेगी ?

शिक्षा मंत्री के सभासचिव (डा० एम० एम० दास) : (क) जी हां, राज्य सरकारों को यह बताया गया है कि छोटे बच्चों का चुनाव आन्दोलनों में प्रयोग करने से राष्ट्र के हितों की हानि होती है ।

(ख) उस सरक्युलर की एक प्रति सभा-पटल पर रखी जाती है । **[देखिये परिशिष्ट ७, अनुबन्ध संख्या ३१]** ।

श्री राम शंकर लाल : क्या इस तरह की कोई निषेधात्मक धारा रिप्रेजेन्टेशन आफ पीपुल्स ऐक्ट में रखने का विचार है ?

Shrimati Renu Chakravartty : What is that question ?

Mr. Speaker : Whether any provision is going to be made in this respect in the People's Representation Act ?

Dr. M. M. Das : The Inter-University Board at the instance of the Allahabad University took up this question and recommended that it may be made an offence in our election laws that whoever will use students for election campaign that candidate will be disqualified. We referred the matter to the Ministry of Home Affairs and the Ministry of Home Affairs referred the matter to the Election Commission and the Ministry of Law, and it was ultimately considered not feasible.

Shrimati Renu Chakravartty : May I know if it has been brought to the notice of Government that in a recent election where the Mayor of Calcutta was a candidate the teachers of corporation schools were used for election campaign, and if so, whether any circular has been sent to debar such teachers being used for election campaign ?

Mr. Speaker : Order, Order. I do not think that arises out of the question that has been tabled.

Shri Gadilingana Gowd : May I know whether any punishment is contemplated against the parents if the students are used for election campaign ?

Mr. Speaker : The question of punishment has been dropped.

Shri Raghavaiah: What should be the age of the students who....

आर्डिनेन्स फैक्टरी

*१२७२. **श्रीमती अनुसूयाबाई बोरकर** : क्या रक्षा मंत्री यह बताने की कृपा करेंगे कि :

(क) क्या यह सच है कि सरकार ने मध्य प्रदेश के भंडारा जिले के कवडसी गांव में एक आर्डिनन्स फैक्टरी खोलने का निश्चय किया है; और

(ख) यदि हां, तो उसके स्थापना कार्य की कब से आरम्भ हो जाने की आशा है ?

रक्षा उपमंत्री (सरदार मजीठिया) : (क) तथा (ख). एक नई आर्डिनेंन्स फ़ैक्टरी स्थापित करने के प्रस्ताव के सम्बन्ध में कई स्थानों की जांच पड़ताल की गई है जिनमें से एक मध्य प्रदेश के भण्डारा जिले में भी है । किन्तु इस फ़ैक्टरी की स्थिति या चालू होने की तारीख के विषय में अभी तक कोई आखरी फैसला नहीं किया गया है ।

श्रीमती अनुसूयाबाई बोरकर : फैसला कब तक हो जायगा ?

सरदार मजीठिया : अभी तो मैं ठीक तरह से नहीं कह सकता, मगर कोशिश की जा रही है कि जल्दी हो जाय ।

Shri K. G. Deshmukh : May I know whether the Government of Madhya Pradesh had requested to open such a factory or the Government of India on their own are opening the factory in Madhya Pradesh ? If it is at the request of the Madhya Pradesh Government, may I know whether the Government of Madhya

Pradesh will have to bear some percentage of the expenditure or not ?

Sardar Majithia : So, far as the site is concerned, it depends entirely on the Ministry of Defence to choose the most suitable site anywhere in India and the expenditure, naturally, is borne by the Ministry of Defence.

Shri Bhagwat Jha Azad : May I know whether there has been any decision about the type of articles that will be manufactured in this factory ?

Sardar Majithia : It Would be modern propellents and explosives.

Shri U. C. Patnaik : May I know if this is a new factory or it is a factory that is being shifted from South India ?

Sardar Majithia : This is going to be a new factory. We have not as yet finalised the scheme.

Kunzru Committee's Report

*1274. **Sardar Iqbal Singh** : Will the Minister of **Defence** be pleased to state :

(a) whether the Kunzru Committee which was appointed to advice Government on matters relating to the rejection of officer cadets during their training have submitted their report; and

(b) if so, the decision taken on it ?

The Deputy Minister of Defence (Sardar Majithia) : (a) Yes.

(b) The recommendations made by the Committee have been generally accepted by Governmet. Each recommendation is now being examined in detail with a view to its implementation. Some of the recommendations have already been implemented.

Sardar Iqbal Singh : May I know whether this report will be published or it will remain confidential ?

Sardar Majithia : This report is not going to be published. It is a report to the Ministry of Defence and deals with the working of the Defence Department; therefore it is secret.

Sardar Iqbal Singh : May I know whether this report will be circulated among the Members of the Parliament ?

The Minister of Defence (Dr. Katju) : I will consider that matter.

Shri Dhulekar : This Committee was appointed to investigate the irregular withdrawals of officer cadets from the Dehra Dun Defence Academy. May I know what kind of irregularities were found to exist in these various training centres?

Dr. Katju : The Committee has reported its general satisfaction with the working of the regulations in these Defence Academies.

Report on Immoral Traffic in Women

*1275. **Shri Sanganna** : Will the Minister of **Education** be pleased to state:

(a) whether the Advisory Committee on Social and Moral hygiene of the Central Social Welfare Board has sent any report to Government on immoral traffic in women and children; and

(b) if so, the nature of that report ?

The Parliamentary Secretary to the Minister of Education (Dr. M. M. Das) : (a) No, Sir.

(b) Does not arise.

Shri Sanganna : May I know whether the Government contemplate to issue a directive to the State Government for the formation of social welfare ministries because the arrangements there are not adequate for the purpose?

Dr. M. M. Das : There is no such proposal before the Government now.

Shri K. G. Deshmukh : May I know whether Government contemplate bringing such a Bill before Parliament in this connection ?

Dr. M. M. Das : I think the Central Social Welfare Board which has taken up this particular work will give its careful consideration to this matter after it receives the report of the Advisory Committee.

Higher Technological Institutes

*1276. **Shri N. M. Lingam** : Will the Minister of **Education** be pleased to state:

(a) whether the question of establishing Higher Technological Institutes has been considered *de novo* by the Planning Commission ; and

(b) if so, the nature of its recommendations?

The Parliamentary Secretary to the Minister of Education (Dr. M. M. Das): (a) and (b). The matter is being considered by the Planning Commission and their final recommendations have not been made in this behalf.

Shri N. M. Lingam: Is it a fact that as far as the institute in the Southern region is concerned Government have made a proposal to the Madras State that they would be prepared to run a Higher Technological Institute there if the present Engineering College at Guindy is handed over to them? If so, may I know the detailed terms of the proposal?

Dr. M. M. Das: The whole thing is under the examination and consideration of the Planning Commission and it is not possible to give details now.

Dr. Rama Rao: May I know if Government has received any proposal from the Andhra Government that they would hand over the institute at Anantpur and have requested the Central Government to start a Technological Institute at Anantpur?

Dr. M. M. Das: I do not know exactly whether the proposal of the Andhra Government has been received by the Education Ministry; but the whole question of setting up technological institutes like the one at Kharagpur is under examination now.

Shri Natesan: May I know what subjects will be taught in the Higher Technological Institutes?

Dr. M. M. Das: They will be more or less on the lines of the subjects taught at Kharagpur.

Manganese Ore

*1277. **Dr. Rama Rao**: Will the Minister of **Natural Resources and Scientific Research** be pleased to state:

(a) the number of non-Indians associated with the study of the extent and availability of high grade manganese ore in Madhya Pradesh.

(b) the main conclusions of such study; and

(c) the plan of investigation ?

The Minister of Natural Resources (Shri K. D. Malaviya): (a) to (c). A statement giving the required information is laid on the Table of the House. [*See* Appendix VII, annexure No. 32].

Dr. Rama Rao: May I know whether this Non-Indian who is on this committee is a member of the Central Provinces Mining Organisation which is a British concern?

Shri K. D. Malaviya: I do not know that, but the services of this genteman Mr. J. A. Straezek have been offered to us under the Point Four Programme in the various States and he is associated with our Geological Survey of India.

Dr. Rama Rao: Is it a fact that mor than 90 per cent of the high-grade manganese ore yielding mines are in the hands of the Central Provinces Mining Organisation which is a British concern?

Shri K. D. Malaviya: The C. P. M.O. has got a number of mines in Madhya Pradesh but I do not know anything about the specific mines to which the hon. Member referred.

Dr. Rama Rao: In view of the growing needs of manganese owing to the steel plants being set up, do Government contemplate taking over these high-grade manganese ore yielding mines from this foreign concern?

Shri K. D. Malaviya: There is no such proposal before the Government.

Bill Market

*1279. **Shri L. N. Mishra**: Will the Minister of **Finance** be pleased to state:

(a) whether it is a fact that our Bill Market is very little developed; and

(b) if so, whether any effort is being made to develop it ?

Minister of Revenue and Defence Expenditure) (Shri A. C. Guha): (a) No., Sir. The Bill market Scheme introduced early in 1952 has been functioning fairly satisfactorily and the facilities under the Scheme are being availed of increasingly by banks.

(b) The question dos not arise. Still the Reserve Bank has from time to time taken necessary steps to liberalise the scheme.

Shri L. N. Mishra: May I know the area of operation of this scheme and the banks that participate in it ?

Shri A. C. Guha: I have not got that break-up. I think it is now open to all the scheduled banks having a licence under section 22 of the Banking Compianes Act. They all can avail of the scheme. Previously there were some conditions about deposits but all these conditions have now been removed by the Reserve Bank.

Shri L. N. Mishra: What are the special difficulties in extending this scheme to all the banks?

Shri A. C. Guha: I have already stated that this has been extended to all the scheduled banks and the only condition is that the bank concerned must have a licence under section 22 of the Banking Companies Act, issued by the Reserve Bank. This is just a formality and there is no other condition.

Shri L. N. Mishra: Is there any limit of advance under this scheme and is there any proposal to raise the limit of advance ?

Shri A. C. Guha : There is only a minimum limit of advance. Previously, there was a minimum limit of Rs. 25 lakhs and that has now been reduced to Rs. 10 lakhs. So there is no maximum limit.

Shri L. N. Mishra : Since this scheme was introduced, may I know whether there has been any increase in the bill relief ? If so, to what extent ?

Shri A. C. Guha : I can only give him the figures of the money which has been advanced to the Scheduled banks so long. From 16-1-1952 to 30-9-1952—nine months the money advanced under this scheme was Rs. 81,45,00,000. Then from 1-10-1952 to 30-9-1953—full one year—it was only Rs. 65,83,00,000. From 1-10-1953 to 30 9-1954-one year it was Rs. 136,57,00,000. During the next nine months 1-10-1954, to 30-6-55 it was only Rs. 146,11,00,000. I should add that there was some reduction in the amount in 1952-53. That was due to general financial slackness in that year. Otherwise, the amount has been increasing rapidly.

Sardar Iqbal Singh: May I know whether the central co-operative banks will be included in this scheme ?

Shri A. C. Guha : I do not think they would come under the category of Scheduled banks. They are not included.

Board of Health Calcutta University

*1280. **Shri N. B. Chowdhury** : Will the Minister of **Education** be pleased to state :

(a) whether any amounts were granted to the Board of Health of the University of Calcutta during the years 1953-54 and 1954-55 ; and

(b) if so, whether any report has been received regarding the mode of utilisation of the money ?

The Parliamentary Secretary to the Minister of Education (Dr. M. M. Das) : (a) Rs. 4,320/- during 1954-55 for conducting 3 organisers' training camps;

(b) Yes, Sir.

Shri N. B. Chowdhury : May I know whether Government have received any representation requesting that a larger amount may be granted to the Board?

Dr. M. M. Das : There are enough funds for this purpose and I think amounts are granted in all cases where the applications fulfil the necessary conditions.

Shrimati Renu Chakravartty : May I know what is the utility or the function of this organisers' course for which this sum of money has been granted ?

Dr. M. M. Das : The organisers' camps are conducted for imparting training in camp administration. The services of these campers who have joined the organisers' camp will be utilised afterwards, for conducting social and labour service Camps

Shrimati Renu Chakravartty: May I know if there is a scheme for medical examination of the students, and if so, whether the Central Government subsidies that scheme ?

Dr. M. M. Das : How can this question have any relation to the medical examination of student? This question which is tabled, is about labour camps.

Mr. Speaker : He need not argue. He can merely state that the question does not arise.

Shrimati Renu Chakravartty : Has the Board of Health of the Calcutta University nothing to do with the medical examination and the health of students ?

Dr. M. M. Das : I do not know exactly the functions of the Board of Health of the Calcutta University. The point is, Government received applications from the Board of Health of the Calcutta University and gave this amount,—Rs. 4,320/- to the Board of Health and asked them to hold the camp.

Manipur State Transport Department

*1281. **Shri Rishang Keishing** : Will the Minister of **Home Affairs** be pleased to state :

(a) whether it is a fact that Government of Manipur have requested the Government of India to depute Delhi Special Police Establishment for investigation of defalcation in the Manipur State Transport Department ; and

(b) if so, the reasons therefor ?

The Deputy Minister of Home Affairs (Shri Datar) : (a) Yes.

(b) In view of the importance of the case it was considered desirable to entrust the Special Police Establishment with the investigaton.

Shri Rishang Keishing : Is it a fact that the Manipur State Transport Department has defalcated about Rs. 60,000, and may I know also the action that the Government have taken against the officers who are responsible for it ?

Shri Datar : It is not that the department has defalcated. Some officers have misappropriated money to a very large extent.

Shri Rishang Keishing : What is the action taken by Government ?

Shri Datar : Government will take action after the investigation by the S.P. E. is over.

Shri Rishang Keishing : Is it a fact that the matter came to the notice of the Government very late, and if so, the reason therefor ?

Shri Datar : It came to the knowledge of Government recently and immediately Government had taken action. The State Government carried out all the preliminary enquiries, and now, investigation has been started by the S. P. E.

Shri Rishang Keishing : May I know if it is a fact that an ex-Superintendent of Police who retired from service before 1950 has been appointed as the Manager of the State Transport ?

Shri Datar : One officer has been appointed temporarily for the purpose of taking charge of this transport work, because it was considered that in view of the misappropriation charges, it would not be proper if the management is entrusted to the same hands.

Shri K. K. Basu : May I know whether the officers against whom a case has been made out under the preliminary enquiry still continue in the same position which they held when they defalcated the money ?

Shri Datar : Necessary action will be taken after this investigation is over.

Industrial Public Service Commission

***1282. Shri Kajrolkar :** Will the Minister of **Home Affairs** be pleased to state :

(a) whether it is a fact that Government are considering a proposal for the setting up of an Industrial Public Service Commission ; and

(b) if so, when the proposal is likely to materialise ?

The Deputy Minister of Home Affairs (Shri Datar) : (a) and (b). No such proposal is under consideration.

Shri Kajrolkar : May I know whether the Government is going to set up an Industrial Management Service Commission in order to recruit proper personnel to manage the State industrial plants ?

Shri Datar : Government are examining the question of constituting an Industrial Management Service. There is no question of any Commission at all.

Shri Thimmaiah : May I know the functions of the proposed Service Commission ?

Shri Datar : There is no Service Commission for this purpose. The Union Public Service Commission is competent to deal with all such cases.

Government Securities

***1282. Shri V. G. Deshpande :** Will the Minister of **Finance** be pleased to state :

(a) whether it is a fact that former Indian Princes were permitted, during World, War II, to acquire Government securities free of income-tax; and

(b) whether this privilege is still enjoyed by them ?

The Minister of Revenue and Civil Expenditure (Shri M. C. Shah) : (a) even much before the second world war broke out, the Indian Princes were exempt from tax on interest from Government Securities held as their private property.

(b) Yes.

Shri V. G. Deshpande : May I know what is the total amount of investment made by these Princes in government securities ?

Shri M. C. Shah : Those figures are not available.

Shri V. G. Deshpande : May I know by what instrument—whether by an executive order or by an Act—the Princes were exempted from paying income-tax on these properties ?

Shri M. C. Shah : By provision under section 60 of the Income-tax Act.

Shri V. G. Deshpande : Does Government propose to realise income-tax hereafter from the Princes on these Government securities ?

Shri M. C. Shah : The hon. Member is aware that there is article 362 of the Constitution which lays down that guarantees or assurances given under covenants or agreements entered into between the ex-rulers of Indian States and the Government shall be respected and the hon. Member is also aware that the Indian States Finance Enquiry Committee also recommended the continuance of the immunity from federal taxation which they enjoyed in British India and that the privy purse should also be totally exempt from taxation.

Mr. Speaker : Let us go to the next question. This question is practically settled by the Constitution.

Disposal of Smuggled Articles

*1288. **Sardar Akarpuri :** Will the Minister of **Finance** be pleased to state the manner in which the smuggled articles confiscated by the Customs authorities are disposed of ?

The Minister of Revenue and Defence Expenditure (Shri A. C. Guha): Where goods are confiscated under the Sea or Land Customs Act with an option to the owner to pay a fine in lieu of confiscation, the goods are released to him on payment of the fine (and duty and other charges if due) within the period allowed. Where the option is not exercised in time, or goods are confiscated absolutely without an option to obtain release on payment of a fine, they are generally sold by public auction. Goods whose importation is banned on grounds of morality, public health etc. and cannot therefore be released for consumption, are generally destroyed.

Confiscated gold is not sold by auction but transferred to the Goevrnment Mints for safe custody.

सरदार अकरपुरी: क्या मैं जान सकता हूं कि यह जो समगल्ड आर्टिकल्ज होती हैं इन को कहां स्टाक किया जाता है और कितनी देर के बाद इनको आंकशन किया जाता है और आंकशन करने के वास्ते क्या कोई एडवर्टिजमेंट भी जारी किये जाते हैं ?

श्री ए० सी० गुह: जहां जहां यह चीजें पकड़ी जाती हैं उन्हीं जगहों पर इनको स्टाक (Stock) किया जाता है । कितने समय के बाद इन चीजों को आकशन (auction) किया जाता है, यह बात तो ठीक ठीक बताना मुशकिल है । कभी एक साल, कभी दो साल और कभी इस से भी ज्यादा वक्त लग जाता है । इसके अलावा कई बार केसिस अदालतों में भी चले जाते हैं और जब तक वहां इनका फैसला नहीं हो जाता, इन चीजों को आकशन (auction) नहीं किया जा सकता है ।

Pandit T. N. Tiwary : May I know the amount realised by the auction of these smuggled goods and also the amount of fine that has been realised ?

Shri A. C. Guha : This will not give any real indication as to whether the fines have all been realised. In 1952-53 the value of the goods confiscated was over Rs. 2 crores and the fine imposed in lieu of confiscation was Rs. 54,91,468. The amount of fine realised was Rs. 35,44,016 and the value of the goods released on payment of fine was Rs. 67,14,863. In 1953-54 the value of goods confiscated was Rs. 2,09,37,913, fine imposed in lieu of confiscation was Rs. 43,85,285, fine realised was Rs. 23,94,061, and the value of goods released on payment of fine was Rs. 90,30,893. In 1954-55, the value of goods confiscated was Rs. 2,89,00,308 ; fine imposed was Rs. 55,40,979, fine realised was Rs. 28,56,094 and the value of goods released on payment of fine was Rs. 99,58,387.

Pandit D. N. Tiwary : May I know the value of these smuggled goods which were auctioned ? That was my question.

Mr. Speaker : For what period ?

Pandit D. N. Tiwary : For all the periods which the hon. Minister has now mentioned.

Shri A. C. Guha : That information is available only for the year 1951-52. In that year the value of goods auctioned was Rs. 21,43,000 and we realised Rs. 20,73,000 near about the same amount only a little less, by auction.

Grants to Voluntary Educational Organisations

*1289. **Shri Jhulan Sinha :** Will the Minister of **Education** be pleased to state :

(a) whether it is a fact that for the year 1954-55 a sum of rupees ten lakhs had been provided for recurring grants-in-aid to non-official educational institutions under Scheme No. 6 of the Ministry;

(b) whether it is a fact that schemes for such grants where submitted through Government of Bihar also; and

(c) if so, the action taken on them ?

The Parliamentary Secretary to the Minister of Education (Dr. M. M. Das) : (a) Yes Sir, for recurring as well as for non-recurring grants.

(b) Yes Sir.

(c) The state Government has not yet supplied some essential information required to finalise the matter.

Shri Jhulan Sinha : May I know when the State Government was directed to supply the required information and within what time it has been asked to send their reply?

Dr. M. M. Das : The last communication to the State Government was dated 15-7-1955.

Shri Bhagwat Jha Azad : Out of Rs. 10 lakhs, what is the total amount granted up till now to the non educational institutions all over the country?

Dr. M. M. Das : Non-educational institutions?

Mr. Speaker : He means non-official educational institutions.

Dr. M. M. Das : In the year 1954-55, Rs. 9·83 lakhs were sanctioned.

Separation of Audit From Accounts

*1290 **Shri D. C. Sharma :** Will the Minister of **Finance** be pleased to state the names of the States which have not agreed so far for the separation of Audit from Accounts?

The Minister of Revenue and Civil Expenditure (Shri M. C. Shah): The Government of West Bengal have separated accounts from audit in two of their Departments with effect from 1st August, 1955. The Comptroller and Auditor General is still in correspondence with the other State Governments.

Shri D. C. Sharma : May I know when the Auditor-General started this correspondence; for how long it has been going on; and for how long it will go on?

Shri M. C. Shah : The Auditor-General started correspondence some two or three years before and it is going on now. I do not know how much time he may take in trying to pursuade the state Governments. There are certain difficulties.

Shri D. C. Sharma : May I know if it is not the considered policy of the Central Government that audit should be separated from accounts?

Shri M. C. Shah : Yes.

Shri D. C. Shrma : If it is so, may I know what obstacles are being placed by the State Governments in the way of the implementation of this policy?

Shri M. C. Shah : So far as the Central Government are concerned, they have already started this separation in three big departments—Food, Supply and Rehabilitation. So far as other Governments are concerned, already two States are proposing to have this separation, but yet the final proposals have not come forward. There are certain obstacles in this regard. Firstly, the Indian Audit and Accounts Department has arrangements—, once a phased programme is decided upon,—for implementing the scheme to recruit and give the necessary training to the extra staff that will be required as soon as the separation of accounts is started. The full complement of the staff is not there. There is another thing also. The Ministry of Finance have themselves come to a decision that the State Governments should be held financially responsible for this. But the State Governments have raised some objections with regard to the financial effect on them. These difficulties are being ironed out by the Comptroller and Auditor-General.

Shri D. C. Sharma : May I know what efforts the Central Government is making (a) with regard to the training of the personnel and (b) with regard to the overcoming of the financial hurdles which have been brought to the notice of the Central Government by the State Governments?

Shri M. C. Shah : I have already said that the Comptroller and Auditor-General is in negotiation with the State Governments. More than that, I cannot say anything.

भारत-पाकिस्तान यात्रा

*१२६२. **श्री कृष्णाचार्य जोशी :** क्या गृह-कार्य मंत्री यह बताने की कृपा करेंगे कि पाकिस्तान के उन राष्ट्रजनों की संख्या क्या है जो १६५५ में पार-पत्र नियमों का उल्लंघन कर भारत आये थे, और जिन्हें वापस पाकिस्तान भेज दिया गया है?

गृह-कार्य उपमंत्री (श्री दातार): १६५५ के दौरान में, ३१ जुलाई तक, ४५२० पाकिस्तानी राष्ट्रजन भारतीय पार-पत्र (पासपोर्ट) नियमों का उल्लंघन कर भारत आये। उनमें से ११६८ को वापस पाकिस्तान भेज दिया गया है।

श्री कृष्णाचार्य जोशी : क्या मैं जान सकता हूं कि जो लोग पारपत्र के नियम का उल्लंघन करने की वजह से वापिस भेज दिये गये, उन में से कितने लोगों को सजा हुई और क्या सजा हुई?

Shri Datar : Almost all these persons are convicted because actually they are breaking the law and all of them had to undergo the sentences. Then we take up the matter with the Pakistan High Commissioner in India and through him people are sent back to Pakistan.

श्री कृष्णाचार्य जोशी : क्या मैं जान सकता हूं कि जो लोग यहां आते हैं, क्या सरकार को उनके उद्देश्य की निस्बत कुछ पता है ? वे किस उद्देश्य से आते हैं ?

Shri Datar : It is vary difficult to point out the purposes for which they come.

Dr. Suresh Chandra : May I know how many of these persons had been at Hyderabad before and how many of them were arrested for this?

Shri Datar : So far as this question is concerned, there were only 5 from Hyderabad.

श्री कृष्णाचार्य जोशी : क्या मंत्री महोदय यह बताने की कृपा करेंगे कि कितने राज्यों में ये लोग बड़ी संख्या में आये ?

Shri Datar : Naturally it is in the border States like Assam, West Bengal, Kutch and Rajasthan.

Educated Unemployment

*1293. **Pandit D. N. Tiwary** : Will the Minister of **Education** be pleased to state;

(a) whether it is a fact that since January, 1955 disbursements under the Scheme to relieve Educated Unemployment has been very slow and meagre; and

(b) the amount allotted and disbursed on the Scheme in 1954-55?

The Parliamentary Secretary to the Minister of Education (Dr. M. M. Das) : (a) The Government of India are awaiting information from State Governments.

(b) Rs. 3,40,71,619 were allotted to the various State Governments during 1954-55. Regarding the amount disbursed on the scheme during that period, information is being collected from the State Governments and will be laid on the Table of the House in due course.

Pandit D. N. Tiwary : May I know to what extent this scheme has solved educated unemployment in the country?

Dr. M. M. Das : How can this arise out of this question? The main question is about disbursements of money, given by the Government of India.

The Deputy Minister of Education (Dr. K. L. Shrimali) : May I explain that this scheme has a very limited scope? The scheme was launched by the Government of India to employ a few educated youths in the teaching profession and therefore it should not be thought that this can solve the whole problem of unemployment in the country. It has a very limited scope.

Pandit D. N. Tiwary : May I know which of the States have fully availed of this scheme and which of the States have not spent the money?

Dr. M. M. Das : I am sorry I am a bit late. I thought my senior colleague who appears to be very enthusiastic will reply to this question.

Most of the States have participated in this scheme and have fulfilled the quota given to them according to their financial capacity.

Shri Punnoose : Is it a fact that the Travancore-Cochin Government have asked for larger grants in this regard in view of the enormity of the problem there? May I know the grant allotted and also whether it has been fully utilised?

Dr. M. M. Das : During the first year of the Plan, the Travancore-Cochin Government did not participate at all in this scheme. During the second year, the amount that was sanctioned (during 1954-55) was Rs. 3,68,638. During the current year, we have approved Rs. 188,100. This approved money will be sanctioned when we receive information that the quota has been estimated that is, the number of persons to be appointed as teachers have been agreed to by the State Government.

Shri Sarangadhar Das : May I know if the Government has any information regarding the quality of teaching imparted to the pupils by these teachers?

Dr. M. M. Das : Yes. As they are new teachers, we have instructed the State Governments to give them training for at least 4 to 6 weeks.

Indian Council of Child Welfare

*1295. **Dr. Satyawadi** : Will the Minister of **Education** be pleased to State:

(a) whether any pilot scheme for the survey of the socially backward children has been submitted by the Indian Council of Child Welfare to Government; and

(b) If so, the details of the scheme and the reactions of Government thereto?

The Parliamentary Secretary to the Minister of Education (Dr. M. M. Das) : (a) No, Sir.

(b) Does not arise.

डा० सत्यवादी : इस रिपोर्ट के आ जाने की उम्मीद कब तक है ?

Dr. M. M. Das : The question is whether any pilot scheme for the survey of the socially backward children has been submitted by the Indian Council of Child Welfare to the Government. There was no scheme.

Mr. Speaker : The reply was "no". That is, the report has not been received; that is how it as meant, I think.

Ancient Monuments

*1296. **Sardar Iqbal Singh** : Will the Minister of **Education** be pleased to state:

(a) the amount spent on preservation of ancient monuments of national importance in the Punjab in 1954-55 ; and

(b) the amount proposed to be spent in 1955-56?

The Parliamentary Secretary to the Minister of Education (Dr. M. M. Das) : (a) Rs. 24,597/12/9.

(b) Rs. 26,912/-/-

Sardar Iqbal Singh : May I know the names of the monuments on which this money will be spent in repairing?

Dr. M. M. Das : There are 103 protected monuments in the Punjab. It is not possible to give all the names here.

Sardar Iqbal Singh : May I know whether the Government will consider repairing the ancient monuments, connected with the history of Maharaja Ranjit Singh ?

Dr. M. M. Das : The monuments, which have been taken over by the Central Govt. are under the constant supervision of the Archaeological department officers. Whenever we find anything needs repaires, we do it.

I.A.S./I.P.S.

*1297. **Shri N. M. Lingam** : Will the Minister of **Home Affairs** be pleased to state:

(a) the number of candidates who were selected for the I.A.S. during the last three years; and

(b) the number amongst the selected candidates who also qualified for the I.P.S. or I.F.S. ?

The Deputy Minister of Home Affairs (Shri Datar) : (a) and (b). A Statement containing the requisite information is placed on the Table of the House. [*See* Appendix VII, annexure No. 33].

Shri N. M. Lingam : In the statement, I find that most of the candidates selected for the I.A.S. have also qualified either for the I.P.S. or the I.F.S. Does not this show that the selection is too much in terms of academic record and adequate attention is not paid to social aims and other talents and aptitudes of the candidates?

Shri Datar : They are being considered also. So far as this contention that only academic qualifications are taken into account is concerned, I may point out to the hon. Member that personality test has also to be passed and it covers a very wide ground.

Shri N. M. Lingam : This raises the question of the constitution of the Commission itself. It is well known that the Commission consists of people experienced in academic studies only. Does this not show that the selection by one type of persons tends to perpetuate....

Mr. Speaker : Order, order. He is going into something which is not relevant to the question.

Shri Kajrolkar : May I know how many candidates were from the Scheduled Castes and the Scheduled Tribes among those selected for the I.A.S. and I.P.S ?

Shri Datar : I may point out to the hon. Memmber that a very large latitude is allowed to the candidates from these communities who have qualified. The moment they are qualified, at whatever rank they are they are taken in for the particular service.

Many Hon. Members *rose*—

Geographical Spellings

*1298. **Shri G. L. Chaudhary** : Will the Minister of **Natural Resources and Scientific Research** be pleased to state:

(a) whether it is a fact that the spellings of Mathura and Kanpur were not corrected in the political Map of India published in 1954; and

(b) if so, the reasons therefor?

The Minister of Natural Resources (Shri K. D. Malaviya) : (a) Yes, Sir.

(b) The reason for not correcting the spelling of the two names in the Politica map of India published in 1954 was that when the U. P. Government decided to alter the spelling of these names and informed the Government of India of its decision in 1947, owing to some oversight, which at this distance of time cannot be inquired into, the Survey of India was not consulted, as it should have been in accordance with the prescribed procedure. It is the Survey of India that prints all topographical maps.

श्री भक्त दर्शन : क्या मैं जान सकता हूं कि इस सम्बन्ध में आगे इस नियम का और कड़ाई से पालन किया जाय क्या इस सम्बन्ध में आदेश दे दिया गये हैं ?

श्री के० डी० मालवीय : जी हां। इस सम्बन्ध में ठीक नियम बन गये हैं और उन्हीं नियमों के आधार पर सर्वे आफ इंडिया स्पेलिंग वगैरह का काम करता है, और अब इसमें ऐसी कोताही नहीं होगी।

Dramatic Training Camps

*1299. **Dr. Rama Rao** : Will the Minister of **Education** be pleased to state :

(a) the expenditure incurred by Government to organise and run the camp to train University teachers in dramatic art ;

(b) the number of teachers selected from each university ;

(c) the name of the agency which gave the training ; and

(d) whether this will be an annual summer feature?

The Parliamentary Secretary to the Minister of Education (Dr. M. M. Das) : (a) Rs. 11,500/-, for two camps at Andretta and Sabathu.

(b)

Punjab University .	4
Jammu and Kashmir .	1
Rajputana . . .	1
Nagpur . . .	3
S.N.D.T. . . .	2
Saugar . . .	1
Baroda . . .	3
Bombay . . .	5
Gujarat . . .	3
TOTAL .	23

(c) Mrs. Norah Richards for Andretta Camp and Theatre Unit Bombay for Sabathu Camp.

(d) No, these camps are held from time to time.

Dr. Rama Rao : May I know why no candidate has been selected from the Andhra University ?

Dr. M. M. Das : It is proposed to cover all the Universities. That is, other camps will be held where the teachers of other Universities will join.

Dr. Rama Rao : May I know what is the intention in giving the training ? Is it to give them a holiday in pleasant surroundings or is it to train their histrionic talents ? What are the qualifications of the people that were responsible for training ?

Dr. M. M. Das : The object of this scheme is to give encouragement to cultural pursuits among the youths.

Excavation Works

*1301. **Sardar Iqbal Singh** : Will the Minister of **Education** be pleased to state :

(a) the names of places in the Punjab where excavations have been carried out by the Department of Archaeology during 1954-55 ; and

(b) the names of places where they are proposed to be carried out during 1955-56?

The Parliamentary Secretary to the Minister of Education (Dr. M. M. Das) : (a) Rupar, Bara and Salaura in District Ambala.

(b) There is no definite programme as yet of excavating any new site in the Punjab, during 1955-56.

Sardar Iqbal Singh : May I know whether the Government will consider a programme of excavations in the Ghaggar valley , a place of ancient civilisation ?

Dr. M. M. Das : At present so far I know there is no proposal before the Government to excavate the Ghaggar valley.

Sardar Iqbal Singh : May I know whether the Government will consider excavations in the Hissar district which was many times visited by foreign scholars during the 13th century or even before?

Dr. M. M. Das : I shall repy if the hon. Member gives separate notice.

Ordnance Factories

1302. **Shri N. M. Lingam** : Will the Minister of **Defence** be pleased to state :

(a) whether it is a fact that a large number of employees in Ordnance Factories are employed on idle time;

(b) if so, what is their number ; and

(c) what are the schemes on hand for utilising the services of surplus employees to the full.

The Minister of Defence (Dr. Katju) (a) Yes.

(b) The number varies from day to day and is approximately 5,000.

(c) As soon as the idle capacity of the actories came to notice in 1953, due to a fall in Service orders for certain kinds of stores, effort was made to utilise the capacity. A drivef or attracting civil trade work was initiated as a result of which about 8,000 men are now engaged on production or civil Government departments and the civil trade. As, in spite of this, there are still large surpluses, fresh recruitment of workers has been stopped in all other Defence installations and efforts are also being made with other Ministries and State-owned undertakings to explore the possibilities of utilising or absorbing this labour.

Shri N. M. Lingam: May I know if the recommendations of the Enquiry Committee to switch over the defence plants to civil production has been accepted so as to absorb surplus personnel ?

Dr. Katju: I cannot quite understand the question. We are making every possible effort to absorb this surplus.

Shri U.C. Patnaik: May I know if the recommendations of Sardar Baldev Singh Committee and the suggestions made by the Defence Study Group of the Parliament regarding the utilisation of the idle capacity of these ordnance factories have been examined by Government ?

Dr. Katju: Very much so, and they are constantly under review. No topic is more under consideration than this one.

WRITTEN ANSWERS TO QUESTIONS

Public Schools

***1257. Shri Ibrahim:** Will the Minister of **Education** be pleased to lay a statement on the Table of the House showing the number and names of Public Schools to which Government give grants-in-aid ?

The Parliamentary Secretary to the Minister of Education (Dr. M. M. Das): Government gives yearly grants to two Public Schools only *viz.*, the Lawrence School, Sanawar and the Lawrencee School, Lovedale.

Oil Wells

***1259. Shri Bishwa Nath Roy**: Will the Minister of **Natural Resources and Scientific Research** be pleased to state whether drilling of any new oil wells besides those in the Brahmaputra Valley has been undertaken this year ?

The Minister of Natural Resources (Shri K. D. Malaviya): No, Sir.

Remittances from Burma

***1260. Shri K. P. Sinha**: Will the Minister of **Finance** be pleased to state :

(a) whether it is a fact that the Bengal Motion Picture Association is facing great difficulties due to stoppage of film rentals from Burma; and

(b) if so, the action taken in this connection ?

The Minister of Finance (Shri C. D. Deshmukh) (a) and (b). Representations were received early this year from the Bengal Motion Picture Association and the Indian Motion Picture Producers Association regarding the difficulties experienced by Indian exporters of films to Burma due to stoppage of remittance of film rentals by the Government of Burma. The matter was taken up with that Government who have now agreed to allow remittances in full subject to certain undertakings by the Burmese exhibitors.

Militry Missions

***1261. Shri S.C. Samanta**: Will the Minister of **Defence** be pleased to state whether any Military Mission has been sent to any foreign country for re-organising its Army since 1947?

The Minister of Defence (Dr. Katju): An Indian Military Mission was sent to Nepal in April, 1952.

Development of Mineral Resources

***1265. Dr. Satyawadi**: Will the Minister of **Natural Resources and Scientific Research** be pleased to refer to the reply given to Starred Question No. 790 on the 15th September, 1954 lay a statement on the Table of the House showing the progress made in the implementation of the recommendations of the Conference of the representatives of the Central and State Governments held at Srinagar in June, 1954 for the development of Mineral Rescurces ?

The Minister of Natural Resource (Shri K. D. Malavia): A statemen giving the required information is laid on the Table of the House [*See* Appendix VII, annexure No. 34].

आम चुनाव

***१२६७. डा० राम सुभग सिंह :** क्या **विधी** मंत्री यह बताने की कृपा करेंगे कि :

(क) क्या यह सच है कि पिछले आम-चुनावों में पैप्सू राज्य में मतदान करने वाली महिलायें मतदान करने के लिये उन मतदान केन्द्रों में नहीं गईं जो धर्मशालाओं में थे;

(ख) यदि हां, तो उसके कारण क्या थे; और

(ग) इसके लिये, कि अगले आम चुनावों में मतदान केन्द्र धर्मशालाओं में न रखे जायें, क्या कार्यवाही की जायगी ?

विधि तथा अल्पसंख्यक कार्य मंत्री (श्री विश्वास) : (क) पिछले साधारण निर्वाचन में एसी कोई शिकायत नहीं मिली।

(ख) पैदा नहीं होता।

(ग) निर्वाचन आयोग इस बात पर विचार कर रहा है ।

Minerals

***1271. Thakur Jugal Kishore Sinha:** Will the Minister of **Natural Resources and Scientific Research** be pleased to state :

(a) whether any programme has been chalked out recently for the exploration of minerals other than oil; and

(*b*) if so, with what results ?

The Minister of Natural Resources (Shri K. D. Malaviya) : (a) and (b). A statement giving the required information is laid on the Table of the House. [*See* Appendix VII, annexure No. 35].

Air Crash

***1273. Shri G. L. Chaudhary :** Will the Minister of **Defence** be pleased to state :

(a) whether it is a fact that a Jet Plane crashed in the sea near Bombay on the 27th July, 1955 ; and

(b) if so the loss suffered by Government ?

The Deputy Minister of Defence (Sardar Majithia) : (a) Yes, Sir.

(b) The pilot was killed and the Vampire aircraft destroyed.

Buddhist Monuments

***1278. Shri Veeraswamy :** Will the Minister of **Education** be pleased to state :

(a) whether it is a fact that Government have drawn up a scheme to renovate the Buddhist monuments in India;

(b) if so, the details of the scheme; and

(c) when the renovation work will be completed ?

The Parliamentary Secretary to the Minister of Education (Dr. M. M. Das) : (a) Yes, but to repair and not to renovate them.

(b) Special repairs will be carried out at the following monuments :—

(1) Sarnath
(2) Kushingar
(3) Sanchi
(4) Rajgir
(5) Nalanda
(6) Sahet Mahet
(7) Sankissa.

(c) The repair work will be completed before May, 1956.

Tea Industry

***1284. Shri K. P. Tripathi :** Will the Minister of **Finance** be pleased to state :

(a) the number of applications received from the tea industry for permission to issue bonus shares in 1954 and the first half of 1955 ; and

(b) the number out of them granted ?

The Minister of Revenue and Civil Expenditure (Shri M. C. Shah) : (a) 37 Applications.

(b) Six so far.

Scheme for Educational Advancement

***1285. Shri Bibhuti Mishra :** Will the Minister of **Education** be pleased to state :

(a) whether Government have formulated any scheme for educational advancement of persons other than Scheduled Castes and Scheduled Tribes ; and

(b) if so, the nature thereof ?

The Parliamentary Secretary to the Minister of Education (Dr. M. M. Das): (a) and (b). No, Sir, Government have not formulated any special scheme for educational advancement of persons other than Scheduled Castes and Scheduled Tribes.

Income Tax

***1286. Shri M. Islamuddin :** Will the Minister of **Finance** be pleased to state :

(a) the amount of income-tax realised from Purnea District (Bihar) during the year 1954-55 ; and

(b) the expenditure incurred on the income-tax establishments of the district during the same period ?

The Minister of Revenue and Civil Expenditure (Shri M. C. Shah) : (a) The amount of income-tax realised from Purnea District (Bihar) during the year 1954-55 was Rs. 6,45,630/- (Six lakhs forty-five thousand six hundred and thirty)

(b) The expenditure incurred on the income-tax establishments of the district during the same period was Rs. 30,926/- (Thirty thousand nine hundred and twenty-six).

चांदी का चोरी-छिपे लाना ले आना

***१२८७. श्री अनिरुद्ध सिंह :** क्या **वित्त** मंत्री यह बताने की कृपा करेंगे कि :

(क) क्या यह सच है कि पाकिस्तान रुपये के अवमूल्यन के फलस्वरूप इस देश में कुछ पाकिस्तानी चोरी-छिपे चांदी लाते हुये पकड़े गये हैं; और

(ख) यदि हां, तो अब तक इस प्रकार के कितने मामलों का सरकार पता लगा सकी है ?

The Minister of Revenue and Defence Expenditure (Shri A. C. Guha) : (a) and (b). Three cases of silver smuggling from Pakistan involving three Pakistanis, one in each case, have been detected after the devaluation of the Pakistan rupee, but there appears to be no connection, Sir, between the devaluation and these cases. On the contrary, the devaluation has rather reduced the incentive for the smuggling of silver from Pakistan into India.

Geological Survey

***1291. Shri Ibrahim :** Will the Minister of **Natural Resources and Scientific Research** be pleased to state the number of places in Bihar where survey was undertaken to discover deposits of coal, manganese and other valuable minerals during the period April, 1953 to March, 1955 ?

The Minister of Natural Resources (Shri K. D. Malaviya) : A statement giving the required information is laid on the Table of the House. [*See* Appendix VII, Annexure No. 36].

Higher Education in Geology

***1294. Shri S. C. Samanta :** Will the Minister of **Natural Resources and Scientific Research** be pleased to state :

(a) the number of officers sent abroad for higher studies in Geology since 1952-53 ; and

(b) how many of them availed of foreign scholarships ?

The Minister of Natural Resources (Shri K. D. Malaviya) : (a) and (b). A statement giving the required information is laid on the Table of the House . [*See* Appendix VII, Annexure No. 37].

National Savings Certificates

***1300. Shri Ibrahim :** Will the Minister of **Finance** be pleased to state the amount invested during the year 1954-55 in the National Savings Certificates ?

The Minister of Revenue and Defence Expenditure (Shri A. C. Guha) : Net investments in the National Savings Certificates during 1954-55 amounts to about Rs. 19·7 crores.

Missionaries

669. Shri D. C. Sharma : Will the Minister of **Home Affairs** be pleased to state the number of foreign missionaries with their nationalities who were detained in India under the Preventive Detention Act in the years 1953, 1954 and upto the end of July 1955 ?

The Deputy Minister of Home Affairs : (Shri Datar) : According to the information available , the number is 'Nil'.

केन्द्रीय सड़क गवेषणा संस्था

६७०. { श्री नवल प्रभाकर :
श्री रामा शंकर लाल :

क्या **प्राकृतिक संसाधन और वैज्ञानिक गवेषणा** मंत्री यह बतान की कृपा करेंगे कि

(क) क्या यह सच है कि केन्द्रीय सड़क गवेषणा संस्था ने सस्ती सड़कें बनाने के लिये नई रीति निकाली है; और

(ख) यदि हां, तो इस नई रीति से कहां सड़कें तैयार की जा रही हैं !

प्राकृतिक संसाधन मंत्री (श्री के० डी० मालवीय): (क) जी नही ।

(ख) प्रश्न नहीं उठता ।

Ex-Employees of the Civil Supplies Department

671. **Ch. Raghubir Singh:** Will the Minister of **Home Affairs** be pleased to state the number of ex-employees of the Rationing and Civil Supplies Department of the U. P. Government who have been re-employed by the Central Government so far ?

The Deputy Minister of Home Affairs (Shri Datar): From January 1954 to June 1955—236.

Cadet Corps

672. **Shri Keshavaiengar:** Will the Minister of **Defence** be pleased to state :

(a) whether any Camps of the A.C.C. or N.C.C. were held in the State of Mysore during 1955 so far ;

(c) if so, the names of places where they were held ;

(c) the expenditute incurred on them ; and

(d) the number of volunteers who attended these Camps.

The Minister of Defence (Dr. Katju): (a) Yes (One camp of each).

(b) The camp of the Auxiliary Cadet Corps was held at Harehalli in Ramanagaram National Extension Block and the camp of the National Cadet Corps was held at Hosabale (Community Project Area).

(c) Rs. 5,624/- on A.C.C. Camp.
Rs. 17,636 on N.C.C. Camp.

(d) A.C.C. Camp 189.
N.C.C. Camp 225.

Special Tribunals

673. **Shri S. C. Samanta:** Will the Minister of **Law** be pleased to state :

(a) the date when the three Special Tribunals were constituted under the Criminal Law Amendment Ordinance, 1943, to try cases relating to bribery and corruption.

(b) the nature of verdicts of those tribunals ; and

(c) the number of cases dealt with by them ?

The Minister of Law and Minority Affairs (Shri Biswas): (a) Seven Special Tribunals were constituted under the Criminal Law Amendment Ordinance, 1943. The names of the Tribunals are given below :

1. The First Special Tribunal, Calcutta.
2. The Special Tribunal, Lucknow.
3. The First Special Tribunal, Lahore.
4. The Second Special Tribunal Lahore.
5. The Special Tribunal, Amraoti.
6. The Third Special Tribunal, Lahore.
7. The Second Special Tribunal, Clacutta.

All the Tribunals except the Third Special Tribunal, Lahore, were wound up long ago. Their records are not readily available as they were transferred to various District courts of the areas where the Tribunals were functioning. It is not possible to get the records specially of Tribunals whose records were transferred to courts which are now functioning in Pakistan. The Third Speial Tribunal, Lahore, which on partition was renamed as the East Punjab Special Tribunal is at present functioning at Karnal and is dealing with the Burma Fraud Cases.

(b) The nature of verdict given by the Tribunals differed from one case to another. In the absence of the records of these cases, it is not possible to give the information asked for.

(c) For the reasons stated at (a) above, it is not possible to answer this part of the question also.

Training in Geology

674. **Shri S. C. Samanta:** Will the Minister of **Natural Resources and Scientific Research** be pleased to state:

(a) whether services of foreign expert Geologists were available since 1952-53 and utilised for the training of our men in this country ;

(b) if so, under what scheme ; and

(c) the number of field training camps organised ?

The Minister of Natural Resources (Shri K. D. Malaviya): (a) to (c). A statement giving the required information is attached. [*See* Appendix VII, annexure No. 38].

Geological Survey

675. **Dr. Satyawadi:** Will the Minister of **Natural Resources and Scientific Research** be pleased to lay a statement

on the Table of the House showing the result of the field work carried out in the States of Punjab. Pepsu and Himachal Pradesh by the Geological Survey Groups in 1954-55 and the proposed programme for 1955-56?

The Minister of Natural Resources (Shri K. D. Malaviya): A statement giving the required information is attached. [*See* Appendix VII, annexure No. 39].

आदिमजातियों में उच्च शिक्षा

६७६. **श्री अमर सिंह डामर** : क्या **शिक्षा** मंत्री यह बताने की कृपा करेंगे कि :

(क) १९४९ से १९५४ तक अलग-अलग आदिवासियों और पहाड़ी आदिम जातियों में उच्च शिक्षा के प्रसार के लिये कितनी राशि निर्धारित की गई ;

(ख) क्या प्रत्येक वर्ष के लिये अलग रखी गई पूरी राशि व्यय कर दी गई; और

(ग) यदि नहीं, तो क्या व्यय न की गई राशि को व्यपगत हो जाने दिया गया ?

शिक्षा मंत्री के सभा सचिव (डा० एम० एम० दास) (क) से (ग). इस का विवरण सभा पटल पर रख दिया गया है [देखिये परिशिष्ट ७, अनुबन्ध संख्या ४०].

Government of India Securities

677. **Shrimati Ila Palchoudhury:** Will the Minister of **Finance** be pleased to state:

(a) the total number of applications received for drawing of interest on Government of India Securities between the period 16th April, 1955 to 30th June, 1955.

(b) the total amount of interest allowed to be drawn during this period; and

(c) the total amount of interest which had accrued and the total amount of Government of India Securities on which such interest had accrued during this period?

The Minister of Finance (Shri C. D. Deshmukh): (a) and (b). The information has to be collected by reference to the records of the various branches of the Reserve Bank of India, the State Bank of India and the hundreds of Treasuries and Sub-Treasuries in the Country; moreover, the accounts of Government are maintained for complete calender months and not for a part of a month. The collection of this information will, therefore, involve disproportionate time and labour which will not be commensurate with the results likely to be achieved.

(c) The total half yearly interest on Government of India Securities which fell due for payment during the period 16th April 1955 to 30th June, 1955 amounted to about Rs. 7·62 crores and the total face value of the securities on which this interest fell due amounted to about Rs. 472·53 crores.

Forged Currency

678. **Pandit D. N. Tiwary:** Will the Minister of **Finance** be pleased to state:

(a) whether periodical information is collected by Government about the seizure of forged notes and the number of prosecutions launched in regard to them in the States; and

(b) which of the States have launched the largest number of prosecutions for this offence during 1954-55.

The Minister of Revenue and Defence Expenditure (Shri A. C. Guha): (a) The information is collected and published by the Reserve Bank in their Annual Reports on Currency and Finance.

(b) The information is not readily available.

Travelling Allowances

679. **Shri M. Islamuddin:** Will the Minister of **Home Affairs** be pleased to state the amount of travelling allowance drawn by the Central Ministers during May, June and July 1955?

The Deputy Minister of Home Affairs (Shri Datar): The amount of travelling and daily allowances so far drawn by Central Ministers for the period May to July 1955, is Rs. 29,776/10/-. This is exclusive in a number of cases of the cost of rail and/or air accommodation, in respect of which ajdustment of accounts has not been completted.

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LOK SABHA DEBATES

(Part II—Proceedings other than Questions and Answers)

LOK SABHA

Wednesday, 31*st August*, 1955.

The Lok Sabha met at Eleven of the Clock.

[MR. SPEAKER *in the Chair.*]

QUESTIONS AND ANSWERS

(*See Part* I)

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12 NOON

PAPERS LAID ON THE TABLE

NOTIFICATION UNDER CENTRAL EXCISES AND SALT ACT

The Minister of Revenue and Defence Expenditure (Shri A. C. Guha): I beg to lay on the Table a copy of the Central Excises Notification No. 42, dated the 20th August, 1955, under section 38 of the Central Excises and Salt Act, 1944. [*Placed in Library. See* No. S-288/55.]

ESTIMATES OF EMPLOYEES' STATE INSURANCE CORPORATION

Shri A. C. Guha: I beg to lay on the Table, on behalf of Shri Abid Ali, a copy of the Revised Estimates for the year 1954-55 and Budget Estimates for the year 1955-56 of the Employees' State Insurance Corporations under section 36 of the Employees' State Insurance Act, 1948. [*Placed in Library. See* No. S-289/55.]

MESSAGE FROM RAJYA SABHA

Secretary: Sir, I have to report the following message received from the Secretary of Rajya Sabha:

> "In accordance with the provisions of rule 125 of the Rules of Procedure and Conduct of Business in the Rajya Sabha, I am directed to inform the Lok Sabha that the Rajya Sabha, at its sitting held on the 26th August, 1955, agreed without any amendment to the Indian Coinage (Amendment) Bill, 1955, which was passed by the Lok Sabha at its sitting held on the 29th July, 1955."

PUBLIC ACCOUNTS COMMITTEE

THIRTEENTH REPORT

Shri V. B. Gandhi (Bombay City—North): I beg to present the Thirteenth Report of the Public Accounts Committee (1954-55) on the Appropriation Accounts (Posts and Telegraphs) and (Railways), 1951-52 and 1952-53, Volume I—Report.

GOVERNMENT PREMISES (EVICTION) AMENDMENT BILL

PRESENTATION OF REPORT OF SELECT COMMITTEE

Shri Raghuramaiah (Tenali): I beg to present the Report of the Select Committee on the Bill further to amend the Government Premises (Eviction) Act, 1950.

CALLING ATTENTION TO MATTER OF URGENT PUBLIC IMPORTANCE

B.C.G. VACCINATION CAMPAIGN

Shri N. M. Lingam (Coimbatore): Under Rule 216, I beg to call the attention of the Minister of Health to the following matter of urgent public importance and I request that she may make a statement thereon:

> "The controversy regarding the B.C.G. Vaccination Campaign."

The Minister of Health (Rajkumari Amrit Kaur): A controversy regarding the harmlessness and efficacy of B.C.G. vaccination has again been raised recently. During the earlier controversy in Madras State five years ago, the utility and efficacy of B.C.G. vaccination were explained in detail to the general public. As a result of this, the doubts raised against B.C.G. were set at rest and the B.C.G. campaign continued to be popular. Subsequently increasing demands were received from various parts of the country, including Madras State, for further extension of the campaign. Since then mass campaigns have been introduced and are being carried out in all the States in India and the total number of persons tested and vaccinated so far is nearly six crores and 2 crores respectively.

At this stage unfortunately some doubts have again been raised about the utility and efficacy of B.C.G. vaccination and it has therefore become necessary to reiterate the need for this vaccination in our country.

The seriousness of the tuberculosis problem in India is well known to hon. Members. It is also known that the resources of the country in terms of finance and trained personnel are too meagre to control tuberculosis in India by methods adopted in those countries which have ample resources at their command. Under the circumstances we have to adopt such safe and effective methods as are within our means in order to bring the problem within manageable limits.

Schemes for raising the standard of living and for providing better nourishment, housing and other facilities including more hospital beds and clinics have all been included and are being implemented under the Five Year Plans. These will no doubt augment the natural resistance of the people against all diseases and provide more facilities for treating tuberculous patients, but since their implementation cannot be achieved overnight, it is essential also to adopt such other measures as will stem the rising tide of tuberculosis in the country. B.C.G. vaccination has been certified by experts in T.B. after prolonged investigations as the best method known to medical science today for providing specific resistance to this disease.

After the most careful consideration and a thorough study of the various aspects of B.C.G. the Government of India decided in 1948 to introduce it in the country. In arriving at this decision, the Government considered the recommendations of international and national bodies such as the Expert Committee on Tuberculosis of the World Health Organisation (wherein were represented some of the foremost tuberculosis authorities from U.S.A., U.K., other European countries and India), the International Tuberculosis Campaign, the South-East Asian Inter-Regional Conference, the Technical Committee of the Tuberculosis Association, India, and the Indian Tuberculosis Workers Conferences. The Government also had the benefit of the views of eminent Indian doctors, *viz.* Dr. B. C. Roy, Dr. Jivraj Mehta, Dr. K. S. Ray, the then President of the Indian Medical Council, Drs. Frimodt-Moller and Ukil and others from different parts of India. The Government also studied the available scientific literature on the subject. The results of repeated investigations in various countries of the world such as the U.S.A., Canada, Denmark, Norway, Sweden, France and Japan convinced the Government about the harmlessness, safety and protective value of B.C.G. vaccination. These investigations carried out in different countries under different conditions and among different races have proved conclusively that B.C.G. can reduce morbidity and mortality from tuberculosis among the negative reactors to 1/5th of what it would be, had they not been vaccinated. Parents in the U.K. are advised, and the advice is willingly accepted by the large majority, to have their children vaccinated at the age of 14. The statement that the U.K. is against B.C.G. vaccination is therefore wholly incorrect.

India is not alone in adopting this vaccination and was certainly not the first country to introduce a mass campaign. Such campaigns were started in many countries of Europe more than thirty years ago and are now being carried out in South America, Asia and Africa. The U.S.S.R. and Japan have carried out mass campaigns on a large scale. The total number of persons vaccinated all over the world today exceeds 100 million. In spite of such a large number of vaccinations under varying conditions, the number of complications is very very small, indeed far less than those incidental to other preventive vaccinations, including small-pox. World medical literature has so far quoted only three deaths associated with B.C.G., and even here the deaths occurred not because the germs became virulent. Eminent workers who have investigated these cases say that these extremely rare instances should not affect the progress of the campaign. Against this, it is on record that a phenomenal decrease in tuberculosis morbidity and mortality has taken place in countries where mass vaccination was carried out. For example, in Japan while 282 persons per 100,000 died of tuberculosis in 1945, after seven years of a mass B.C.G. campaign, the death rate was reduced to 82 in 1952. Denmark, where nearly every person needing vaccination has been given B.C.G. has now the lowest tuberculosis death rate in the world. To quote from the American Review of Tuberculosis (November 1948):

> "Recent reports from Soviet Russia show that large-scale B.C.G. vaccination in that country resulted in 50 per cent. diminution of the tuberculosis mortality among infants since the beginning of this preventive measure."

It has been stated that B.C.G. may prove harmful to under-nourished people like those in India. This is not true. Indeed, mass B.C.G. vaccination was started in the countries of Europe at a time when it was feared that the prevalent under-nourishment might cause tuberculosis to assume alarming proportions. But no such results ensued. In Japan where conditions with regard to nutrition, over-crowding, environmental sanitation etc., were similar to those in India, if not worse, mass B.C.G. vaccination campaigns have proved highly successful

Some apprehension has been caused in the public mind because of a few alleged cases of complications reported in the lay press, and as far as we know, about 25 such cases were reported, most of them in Madras State. The majority were investigated, and it was found that quite a few of them had not been vaccinated at all but were only given a pre-vaccination test, and the rest were cases of ailments common to the community.

One case of blindness that occurred in Coimbatore has been much commented upon and has been ascribed to B.C.G. An expert committee of doctors who went into this question found that the blindness was due to encephalitis which was found prevalent in Coimbatore at the time of vaccination. The committee found a similar case of partial blindness in a girl who had never received the vaccination, thus clearly showing that this complication was not due to

[Rajkumari Amrit Kaur]

B.C.G., but again due to encephalitis. During the same period, encephalitis had caused three cases of blindness out of 24 investigated by the Indian Council of Medical Research in Delhi. It is incomprehensible that just a few cases of complications over the last eight years, even if they could be attributed to B.C.G., should be considered reasonable ground for an attack against a campaign under which about two crores of persons have been vaccinated all over India. It is a matter of satisfaction, however, to note that in spite of the recent controversy, the vaccination continues to be popular throughout the country, and I am sure that even in Madras State where the controversy has unfortunately been started by those who should have known better, the people will in the long run co-operate with the Government.

Apprehension has also been caused by the statement that B.C.G. is a live vaccine and might, therefore, cause active tuberculosis. If this were so, Denmark, where the entire population needing vaccination have been given B.C.G., and where complete records of vital statistics are preserved, any increase in the tuberculosis rate would have been quickly noted. Instead, there was a steep fall in the incidence of the disease, and Denmark today has the lowest tuberculosis death rate in the world.

As for the vaccine being a live one, it is worthy of note that there are other live vaccines like the small-pox vaccine, the yellow fever vaccine, the African plague vaccine which are universally accepted as harmless and are in vogue.

It is, therefore, abundantly clear that B.C.G. is a perfectly harmless vaccine and does confer specific resistance against tuberculosis. It is an effective weapon in our hands in our efforts to control tuberculosis and will greatly supplement other measures which we are concurrently taking.

I wish to stress once again that there is no room for any fears in this matter and that the Government of India find no reason whatsoever to revise their policy of carrying on this useful campaign as vigorously as possible.

COMPANIES BILL.—*contd.*

Clauses 197 to 207

Mr. Speaker: The House will now resume further consideration of clauses 197 to 207 of the Companies Bill. Out of five hours allotted to these clauses, about two hours have already been availed of yesterday, and about three hours now remain. This would mean that these clauses would be disposed of by about 3-15 P.M. Thereafter, the House will take up the next group of clauses, namely clauses 208 to 250.

Shri T. S. A. Chettiar (Tiruppur): I was saying the other day that clause 197 fixes the overall maximum for managerial expenses, and clause 347 provides for a maximum for managing agency remuneration. A suggestion has been made by way of amendment by my hon. friend Shri B. R. Bhagat that the overall remuneration in respect of managing agency commission must be on a slided basis, as is the case in regard to income-tax, *i.e.* the greater the amount of profit, the less the amount of commission to be paid to the managing agents.

[MR. DEPUTY-SPEAKER *in the Chair*]

In that connection, I was pointing out the expression of opinion in the *Report of the Company Law Committee*. At page 96 of their report, they have conceded the suggestion, but for reasons which they have expressed, they did not consider it very far. This is what they have said:

> "A suggestion was made to us that instead of fixing an overall maximum, we should prescribe a scale of varying percentages appli-

> cable to companies of different size and carrying on different types of business. Theoretically, this suggestion is attractive, but it is impossible to work any such scale in practice."

Then, they go on to say that they did not have sufficient facts and figures before them.

> "We have, therefore, refrained from pursuing this line of thought further, but express the hope that managing agents who are at present content with a lower percentage of profits as remuneration for their services as managing agents will not rush forward to take advantage of the maximum limit which we have recommended, merely because the law might permit them to avail themselves of this higher percentage."

Now, there are certain companies like the Tatas, which are paying a lower percentage of commission, because they are reaping huge profits, but the managing agency commission is only a small percentage, and even then it runs to Rs. 80 lakhs or Rs. 1 crore or something like that. There are about 29,000 and odd companies in this country, and some of them get an income of Rs. 20,000 or Rs. 30,000, and so on. Of the sum of Rs. 10 crores which have been earned by 1,720 companies, nearly half, *i.e.* Rs. 5 crores are supposed to have been earned by about 80 companies. In other words, some of these companies are getting profits somewhere in the region of Rs. 40 to Rs. 70 lakhs. Now, the question is whether this remuneration up to a maximum of ten per cent should be fixed for all of them put together, even if some of them get by way of remuneration amounts up to Rs. 80 lakhs, and the others get remuneration amounting to Rs. 20,000. It is a sensible proposition that the larger the amount of profit, the smaller should be the amount of commission that should be given to the managing agency. And that is what is sought to be done by the amendment of my hon. friend Shri B. R. Bhagat. I am not happy over the wording of that amendment. It may not be very happy as it is, but it can be worded better. My point is that we should commit ourselves to the principle involved.

I would like Government to go into this matter, if not in clause 197, at least when we come to clause 347 which fixes the amount of remuneration to be paid to managing agents, so that we shall have two or three days to consider this matter in detail.

I must refer now to a few figures which were read out by my hon. friend Shri Asoka Mehta yesterday. I am not able to understand the figures that he has quoted. He quoted certain figures with regard to profits in England and in the U.S.A., and he said that in those countries the managerial profits are only from 0·5 to 1 per cent, and from 1 to 2½ per cent respectively. I hope I have stated his case correctly. But I find that different figures were given in that respect by the hon. Minister in the course of his speech the other day. I am not in a position to say which is which. So, I do hope that in the reply that will be forthcoming, we shall get authoritative figures, so that we shall have a proper idea of the managerial commissions that are being paid in the other countries of the world.

Coming to our own country Shri Asoka Mehta quoted from the *Reserve Bank of India Bulletin* (*July* 1955). He quoted the following sentence from page 727 of that bulletin:

> "In the three years 1950-52, the managing agents' remuneration amounts to a total of Rs. 32 crores, or about 14 per cent of profits, as shown in Table VII."

The Finance Minister said in his speech that it was 27·7 per cent. And now it is sought to be reduced to 10 per cent.

Previously, as you know, the profits of the managing agency consisted not only of the commission, but included also office expenses, and commissions on selling and purchasing.

[Shri T. S. A. Chettiar]

Putting all these together, I tried to find out the reason for the difference between the figure mentioned by the *Reserve Bank of India Bulletin* and that mentioned by the Finance Minister. Possibly, the figure mentioned in the bulletin refers mainly to managing agency commission, and does not include office expenses, or commissions on selling and purchasing. I would like to know whether that interpretation is correct. If there is any revision in these estimates, the Finance Minister owes it to us to let us know what is the proper figure. It is a matter of figures, and there cannot be two figures which are both true. Only one can be true. We should like to know the facts in regard to this matter, from the facts and statistics that he has got.

I would now like to say one word about the amendment of my hon. friend, Shri K. P. Tripathi. It wants to connect labour with profits. While I would like to have that proposal examined, I cannot understand these undefined words like 'living wage' and 'minimum wage' which may mean different things in different situations.

Shri Bhagwat Jha Azad (Purnea cum Santal Parganas): What is living wage and what is minimum wage —all that is decided.

Shri T. S. A. Chettiar: So I do not think we should pursue something which we do not understand. Therefore, I do not think that that amendment, in that form, can be accepted by the House.

Shri Morarka (Ganganagar Jhunjhunu): I want to speak on clause 197 which deals with the overall remuneration for all the officers of the company, namely, the managing agents, the secretaries and treasurers, the managing directors, the directors and the manager. This clause lays down the limit of 11 per cent. of the net profits of a company for the total managerial expenses. It is also provided that if there are no profits, then a minimum sum not exeeding Rs. 50,000 should be paid towards the managerial expenses. That is in the event of the company making no profit or making very small profits.

For clearly understanding the implications of clause 197, it is necessary to understand what is the existing position. Now, the existing position, so far as managing agents are concerned, is ,this: the managing agents are entitled to 10 per cent. of the net profits. The term 'net profit' is not satisfactorily defined in the existing Act; it does not say anything in details about the 'net profit'. I will presently come to the implications of this term, that is, how the definition of 'net profit' would shrink the ultimate remuneration of the managing agents. The second thing is that some of the agreements entered into with managing agents before 1936, before the last amendment, permit the managing agents being remunerated not only on the basis of net profit but also on the basis of production or sales or turnover, whatever it may be. The second provision in the existing agreements is that there is no limit at all for the minimum remuneration. The existing Act does not prohibit and the agreements provide that the managing agents can charge any minimum remuneration in the event of a company not making any profit. The minimum may be laid down ,from Re. 1 to Rs. 1 lakh or Rs. 2 lakhs, whatever one pleases. I am aware that in certain companies, at least, this minimum laid down is more than Rs. 1 lakh.

The next thing is about secretaries and treasurers. There is no statutory provision regarding remuneration at all about secretaries and treasurers in the existing Act. Similarly, about the managing directors, there is no provision at all, so far as remuneration is concerned. The sky is the limit so far as they are concerned. So far as directors and managers are concerned, there also there is no provision as to what is the maximum that can be paid.

In the Bill which is now before the House, there are six different clauses which deal with remuneration. I would, if I may, trouble you with few references to these clauses. The first is clause 197 which deals with the overall remuneration to all these people, about whom I just mentioned. The second clause is clause 308(4), which deals with the remuneration of directors. Directors here referred to by me are those who are not in the full time employment of the company but who are ordinary directors. There the Bill provides that those directors who are not in the full-time employment of the company can be remunerated in the following way: If they are the directors of a company which is managed by the managing agent, the total remuneration of such directors is not to exceed one per cent; but if they are directors of a company not managed by the managing agent, the total remuneration can be three per cent. Clause 308(3) lays down the remuneration for the managing director. It says that a single managing director cannot have more than five per cent., but if there are more than one managing director, all of them put together can have up to 10 per cent.

The third important clause to which I want to invite your attention is clause 347, which deals with the remuneration of managing agents. It says that managing agents cannot have a remuneration of more than 10 per cent. Clause 352 says that in the event of a company making no profit or making inadequate profit, the managing agents cannot have more than Rs. 50,000.

The next important clause is clause 381, which deals with the remuneration of secretaries and treasurers. There the remuneration laid down is 7½ per cent.

Finally, there is clause 387 which deals with the remuneration for the manager. It is fixed at 5 per cent.

These are the different clauses which we have in the Bill which lay down for each category of persons the different percentages and a definite ceiling for their remuneration. Over and above all this, we have an overriding clause, clause 197, which says that the sum total of the remuneration cannot exceed 11 per cent. of the net profits of the company, or if there are no profits, cannot exceed Rs. 50,000.

I would like the House to consider what the Bhabha Committee has to say on this question of remuneration. Our Bill is largely based on the recommendations of the Bhabha Committee. Therefore, the Bhabha Committee's recommendations in this respect are very important and very relevant.

That Committee made one recommendation about the managing agents; that was that their remuneration should be 12½ per cent. As the Bill originally came before the House, it had that recommendation that the managing agents shall have 12½ per cent., subject to the minimum of Rs. 50,000 when the company made no profit. I need not read that recommendation of the Bhabha Committee; it is contained in paragraph 126 of their report. About the managing director and manager, the Committee made no recommendation at all. All that they have said is that if they have to be paid a commission it must be calculated as a percentage of the net profit by the method suggested in the report. Besides this the Committee did say one thing more, and that was about the ordinary director. They said that in the case of those directors who are not in the full-time employment of the company, the remuneration, if it is to be paid on the basis of a commission, should not exceed one per cent, in the case of those companies which are managed by managing agents, and three per cent. in the case of those companies not managed by managing agents. This recommendation of the Committee is contained in paragraph 87 of their report. It is very important to remember that the Bhabha Com

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mittee did not make any recommendation at all for the overall remuneration to be paid to all these managerial staff. No Committee, no Shareholders' Association, nobody who came before the Committee at any time suggested that there should be a limit placed on this remuneration. No country in the world has this provision prescribing an overall limit. I have studied with some interest the question of remuneration paid in America, in England, in Germany and in France, and in spite of my little research, I have failed to find a provision which sets an overall limit or a percentage limit in respect of such remuneration. This is the first time, in this country, that we are laying down this limit of 11 per cent.

Those hon. Members who criticise this 11 per cent. and say that it is too much seem to forget that this 11 per cent is not the remuneration for managing agents alone, but includes the remuneration for the manager, the managing director and other persons who would be associated at the top level with the management of the company.

Much has been said about the Shareholders' Association and the hon. Member for Bhandara (Shri Asoka Mehta), was saying that the Shareholders' Association had recommended 7½ per cent. and so why should we give 10 per cent. In the first place, the hon. Member was under a mistaken belief that the Shareholders' Association recommended anything at all in respect of overall remuneration. But I think what he meant was that the Association recommended 7½ per cent. for managing agents. True. But what happended then? They recommended 7½ per cent. before the Bhabha Committee was appointed. In the Bhabha Committee, their representative, Shri Jagmohandas Kapadia—who was a member of the Committee—recommended 12½ per cent. When they came before the Joint Committee, they recommended 10 per cent.—in their memorandum they recommended 10 per cent. Sir, I would only trouble you with one question which was put by Shri Khandubhai Desai, who was then a member of the Select Committee. The question was:

> "You remember that in your original memorandum, you suggested that the managing agents' remuneration should not exceed 7½ per cent. maximum and Rs. 24,000 per year minimum. Have you changed that view now?"

The answer by Shri Parikh was:

> "The point is this. Shri Kapadia who was the previous Secretary, may have suggested 7½ per cent. then. He was a member of the Company Law Committee. It seems that after proper deliberation, they came to this conclusion of 12½ per cent. So far as we are concerned, we have taken that as it is and have only suggested a revision of 12½ per cent. because that falls more in line with the present practice".

If it is brought down 7½ per cent. he said he would have no objection etc.

Though the Shareholders' Association made no recommendation at all about the overall remuneration, regarding the managing agents they, now doubt, said in the beginning that 7½ per cent. would do but their latest recommendation was 10 per cent. Why they made it 10 per cent., what their motives or ideas were or whether they expected the managing agents to go in the near future as the hon. Member from Bhandara said —perhaps they had that in view—is not known but the fact remains that their categorical recommendation is that so far as managing agency remuneration is concerned it can be 10 per cent.

The same hon. Member said something about office allowances etc. He said that if this office allowance which is being paid is continued to be paid, then the ceiling which we are trying to put would become a rubber ceiling and people would take advantage of that. I do not know whether the attention of the hon. Member was drawn to clause 354.

Shri Asoka Mehta (Bhandara): I never said that.

Shri Morarka: Clause 354 in terms prohibits any payment of office allowance. In many managing agency companies it is very common to charge these allowances. Many companies charge from Rs. 1,000 to Rs. 8,000 or Rs. 10,000. This works out to about a lakh of rupees in a year. In the Bill, for the first time, we are providing that no office allowance will be payable to any managing agent. Not only are we putting a ceiling on the remuneration as commission, but we are also saying that they would not be entitled to office allowances, that they would not be entitled to make any profit in any other manner as selling agent or as purchasing agent or for rendering any service. We have said hat they would not be entitled to receive any remuneration whether as managing agents or otherwise which includes everything else.

The hon. Member said that here we have based the commission in net profits; till now also all the commission was based on net profits and so what big difference is it going to make? It may not make a big difference according to him. But those people who know how this commission was charged would easily appreciate what a big difference it would make. 'Net profits' was not after all a definite term. Many thought that net profits would mean profits after paying the charges for raw materials, wages etc. They were not making allowances for depreciation, for taxation or any other thing till now. It is now mandatory to make allowance for all these things. I know of companies which have charged commission on net profits and those net profits included not only ordinary taxation but also excess profit tax. During war time when there was huge profit there was a lot of excess profits tax payable by the companies. The managing agency commission on this alone worked to Rs. 15 lakhs to Rs. 20 lakhs. Now, we have laid down in the Bill that when you calculate that profit you will have to deduct all these items like E. P. T. and various other things such as depreciation etc. In this connection, I may also mention that there are people who are charging commission even on the premiums received on shares. They consider it as net income of the company and they used to charge the managing agency commission on the premiums they received on the issue of shares.

Then, Sir, I would like to refer to the *Reserve Bank of India Bulletin* which has been much discussed here and which was quoted often. Unfortunately, there is one perunent paragraph here on which my hon. friend from Bhandara as also Mr. Chettiar rely. On the same para I also rely. I say that in all fairness the para must be quoted in full, so that it may be quite clear to the House what the idea is. It is on page 727.

> "In the three years 1950-52, managing agents' remuneration amounted to a total of Rs. 32 crores, or about 14 per cent. of profits as shown in table 7. The percentage share of managing agents' remuneration in total profits declined from 13·5 in 1950 to 12·8 in 1951 owing to a larger increase in profits and rose to 16 in 1952. Managing agents' remuneration during the period was as much as 44 per cent. of distributed profits; it was equivalent to 72 per cent. of the volume of retained profits. It was relatively high in cotton, jute, silk and wollen textile and chemical industries, in which it constituted more than 20 per cent. of profits, and was relatively low in iron and steel and cement industries, in which it was less than 10 per cent."

Now, it is true that for the whole country, for all the companies put

[Shri Morarka]

together, the managing agency remuneration did not amount to practically more than 13·5 or 14 per cent. But, in certain cases,—for example, the cotton textile industry—it was 22 to 23 per cent. After this Bill is passed, these concerns where the managing agency remuneration was high will not be able to get more than 10 per cent. But, in other concerns like steel and others, it would not automatically come up and if they want to increase the remuneration of the managing agency they will certainly have to come before the Government for special permission and approval. There is no restriction or bar even now on the company coming before the Government and asking for extra commission. All that the Bill says is that after it is passed the managing agency remuneration shall not be more than 10 per cent. Now, this 10 per cent. would be applicable to all cases. It would not be an average of 10 per cent., for if it had been the intention, the Bill would have said an average of 10 per cent. and then the argument of my friend would have been relevant that we are bringing it down from 13·5 per cent. to 10 per cent. That is not what we are doing. For each individual concern we are reducing it to 10 per cent. On an average it may work out to 8 per cent. or even lower than that. If it works out to 8 per cent., then from 22 per cent in the textile industry we are bringing it down to 8 per cent. I think that the Joint Committee is justified in feeling proud of this step that it took. There is full justification for the Joint Committee to say that this is a step in the right direction, that is, towards a socialistic pattern of society. Therefore the criticism which was made yesterday by my friend from Bhandara was not a very learned criticism but it was, to some extent, uninformed and, if I may say so, it was misinterpreting.

Then, coming to the Government's power to give permission in case the managing agents prove that there is hardship in any particular industry and that they want to make up the expenditure, we have got in the Bill clause 351. It says that, in special circumstances if the company comes before the Government with a special resolution, then the Government, after examining the merits of the case, may make an exception. Sir, this again was a recommendation of the Shareholders' Association. It was the Bombay Shareholders Association that wanted that the Government should have the power and it is only in conformity with that that this provision finds a place in the Bill.

Shri Bansal (Jhajjar-Rewari): In the Bhabha Committee report also, it is there.

Shri Morarka: Government is not anxious to see that the managing agents get more remuneration. Their only interest is to see that the development of any industry is not hindered by any rigid rules or provisions in the Bill and if the circumstances warrant and if there is a three-fourth majority of the shareholders in the company which decides like that and request the Government to accord their sanction, then the Government can do it. I think there should be such sort of power or latitude with the Government and so we must keep the provision as it is. But notwithstanding all this, there is no case for any hon. Member to argue, including the hon. Member from Ahmednagar South who has moved his amendment. I am not saying anything on the merits of the amendment at this stage but must say that his amendment is more appropriate to clause 347 which deals with the remuneration of the managing agent. His present amendments to clause 197 —amendments Nos. 39 and 40—are not proper here.

Shri Bogawat (Ahmednagar South): I have given amendments to that clause also.

Shri Morarka: Because even if you reduce the remuneration to the managing agent, there is no case at all for reducing the overall remuneration of

11 per cent. Even 11 cent. would be a little hard and there is no case at all for reducing it still further.

Before I sit down I want to say that I am glad that Government wants to take power to increase this Rs. 50,000 limit in hard cases, whereever it thinks proper. I am in agreement with that. But, I want to know one thing on a point of information. Supposing a company makes a profit of Rs. 5 lakhs of rupees, then, 11 per cent would work out to Rs. 55,000. And Rs. 55,000 may not be enough to defray the monthly salaries of the directors and managing agents. If the amendments as moved by Government covers this contingency, I am quite happy. But if it does not cover, then some further amendment should be made to cover this contingency also. Because Rs. 55,000 may not be enough, 11 per cent also must not be put in.

Shri K. K. Basu (Diamond Harbour): Drop this clause; it will help you.

Shri Barman (North Bengal—Reserved—Sch. Castes): I shall not take much time of the House because I am not a specialist in factory management and business matters. Sometimes it is said that outsiders may have better view of the game and in that sense I venture to make a few remarks.

I do not find any reason to object to the provisions contained in clause 197 of the Bill and also to the amendment that the hon. Finance Minister has moved in this connection. What I think is that some latitude or discretion must be given to Government to consider and discriminate between one business concern and another. From our common experience we find that there are certain types of business for which, after they are once fully developed, no managerical talent is required to run them later on. Government should consider that matter and should discriminate between industry and industry, and also discriminate the development stage and the stage after which it is fully developed. According to the nature of the business and the type of concern, some standard should be laid down for the operation of this section by the Department that will administer it. Once certain principles are adopted according to the nature of the industries and the nature of the business that this Department will have to deal with, then that Department, within those principles, shall use its discretion and settle the remuneration as each case deserves. That is my submission.

We know that there are certain industries for which sufficient talent, technique and exprience are required at the development stage and at that stage a new set of directors cannot develop it. It is necessary at that time that experienced people should take charge of it and such experienced people will devote their energy and labour fully only if they are given sufficient remuneration; otherwise, they can have no heart or interest in their task.

Shri Sinhasan Singh (Gorakhpur Distt.—South): This is not confined only to new companies, but it applies to old companies as well.

Shri Barman: After it is developed, no such talent is required later on, and at that stage the amount of remuneration should be reduced. I have particularly in mind the tea industry, of which I know something. I know that while at the development stage Indians started tea gardens, they had to undergo not only all kinds of difficulties but sometimes they had to stake their everything, and there had been a time when the directors who ventured in the tea industry were practically ruined, but later on, how that that industry has proved a success—the gardens are fully developed —I think that people with ordinary business acumen can run them well. So, according to my views, after an industry or business of this kind is fully developed, Government should lay down that in that particular type of business, the remuneration should vary between certain percentages, according to the capital invested and the type of business acumen that is

[Shri Barman.]

necessary to run it. On the other hand there are certain industries, as for instance the new industries that we are developing—we have some knowledge about the machine tools industry—wherein day to day technical developments are taking place throughout the world, and if India is to succeed and keep pace with the developments in such industries, they have to watch not only the developments here but also developments outside. And for that purpose they have to employ qualified personnel and certainly we cannot deny that the type of personnel required for the purpose must be paid a high remuneration. Otherwise, we cannot keep pace with the progress made in such industries. In such cases, certainly not only at the development stage but also later on, to keep pace with the developments throughout the world, Government must be given power to look into the question whether such industry requires men with higher technical knowledge and experience and what should be their just remuneration, keeping in mind the remuneration that such technical personnel are given elsewhere. Government must be given certain discretion, but at the same time our request to Govenment is that they should make a discrimination between the different types of industries and business, and settle the remuneration that should be given to each type and at different stages.

The second thing that I want to press before the House is that we have certainly no objection to giving bonus shares to the shareholders. There are certain reasons which Government advances and we accept that there must be some money left with industrial undertakings so that they can develop those undertakings or can invest in new undertakings if Government wants the development of industries on a broader basis. At the same time it must be borne in mind that new people cannot venture to take up the managing agencies of industries because of the fact that they have not got that capacity to procure finance for its running expenditure. Because of that difficulty it is practically one set of people that carry on the managing agency or the management of the companies for all time to come. This difficulty can be solved in one way and that is that in the case of an industry, where the profit is a substantial one, Government can direct that business or can make such rules or regulations that a certain part of the profit must be kept in the reserve every year, so that unless and until the reserve fund comes up to the annual recurring expenditure that is required for running the industry, neither bonus shares should be issued nor dividends of a large sum should be declared. Once that is assured and that money is kept in the reserve in the State Bank or some other scheduled bank, then that industry becomes free from anxiety to procure the recurring expenditure. In that case persons who may not have credit in the market to procure money by becoming trustees can be trusted to take charge of the business. If there is no difficulty about recurring expenditure, certainly I think many of the concerns may run much better than they do now. I, therefore, submit that Government should think over this matter; before it allows any bonus share to be issued it must make it certain that that company has built up a reserve capital apart from other reserves like depreciation, etc.—a reserve sufficient to meet the recurring expenditure of that business. Even in cases where the profit is not so much, Government should see that a certain percentage of the profit is kept every year as a reserve until that reserve is built up sufficiently. These are my few submissions and I do not think that we can take any exception to clause 197 or to the amendment of the hon. Finance Minister. I feel that the Government should think over the matter so that they can lay down certain principles as regards the percentages regarding different industrries and building up of a reserve capital.

Shri Gadgil (Poona Central): I think that this clause 197 seems to be so important that a little more time ought to be given to us, but that is for you to consider. Further, I am making one submission. There are two other clauses in which something that is incorporated in this clause is also to be seen—that is, clauses 347 and 351. The three together work out a formula for guidance as to how much the maximum should be in the matter of managing agents' emoluments. Clause 347 says ten per cent. of the net profit in the financial year. Clause 197 lays down an overall limit by way of providing 11 per cent. to be the maximum and clause 351 lays down that whatever may be the maximum in clause 347, it may be raised by the Government if it is shown that it is in public interest. I, therefore, suggest that, if not the discussion on clause 197, at any rate the voting on clause 197 be held over till these two clauses are discussed so that lay-men like me may be able to follow what is the final picture after hearing what everybody who is interested in it has to submit.

Talking about clause 197, I find that the proviso now sought to be added by the Government is absolutely necessary. The reason why I say so is this. As was said by the Finance Minister, in certain hard cases it will not be possible for the company to manage it efficiently within the maximum laid down in that clause. Therefore, the proviso which gives power to the Government to raise the limit in certain hard cases is absolutely necessary. While speaking on the consideration motion I suggested that this discretion should be subject to certain well known principles and practices. Certain suggestions were made by me as regards the overall limit,—as regards the limit on the number of directors and on the limit of individual earning. I do not know whether anything of that kind can be put straightaway in the statute but I do hope that when the Government is invested with this power for the efficient conduct of the business, it will have, as far as I am able to see, to take into consideration the fact whether the managing agency or the top management is not filled up with people whose number may be more than that justified by the nature of the work that is done by the company itself. I find also the deletion of the words 'if any' after 'such period': a good improvement has been made in this amendment because it clearly states that the exercise of this power will be for a particular period. At the end of that period Government will have an opportunity to review the working of the entire business.

What I am suggesting is that some points made out by Shri Asoka Mehta ought to be guarded against—some dangers which he pointed out. One of them was that certain companies in order to invite the power provided by this proviso, may manage the companies in such a way that apparently they may be in the interest of efficient management but something else might happen. I do not know whether such a contingency will arise but I do hope that in the exercise of the power given under the proviso all those matters will be taken into consideration. The proviso is in the interest of the company itself, namely, that the company should be efficiently managed. If there is loss or inadequacy of profit, only in those circumstances this power has to be exercised and not otherwise. This is different from the power that is contemplated in clause 351 where it is not the interest of the company but the public interest which is to be taken into consideration before additional remuneration is granted by the Government. To this clause, an amendment has been moved by Shri Bogawat. In the first place, I do not think that his amendment structurally or subjectwise fits in here. This amendment will be in order when we discuss the maximum emolument or commission allowed to managing agents in clause 347. Secondly there is some force in saying that there should be some limit somewhere. In the first

[Shri Gadgil]

place, it must come at the proper place. I respectfully submit that I would like him to consider my suggestions to withdraw the amendment here. If he is so keen, he may move it when clause 347 is under consideration.

Shri Bogawat: I have given it.

1 P.M.

Shri Gadgil: The point is that a limitation has been put on the overall top management expenses under clause 197. Shri Asoka Mehta gave certain figures yesterday to show that it was not 27 per cent. but it was 14 per cent.—the commission actually earned. But I understand that it is the average. It must be admitted by every fair-minded man that a long step—a big step, I should say—has been taken by the Joint Committee by putting in clause 197. It is not that it is not possible to go ahead and put further limitations but the question is whether such limits will work hardship in the cases of smaller companies and whether it will work hardship in the case of big companies. If there is a uniform percentage then, surely, the smaller companies stand to gain; and out of 30,000 companies most of them are small companies. But, what Shri Bogawat's amendment seeks to do is that a company making a profit of Rs. 20 lakhs should get a certain percentage—say 10 per cent—and if it gets an addtional profit of Rs. 10 lakhs then gradually the rate is decreased by 1·5 per cent. till the minimum, according to him, namely 5 per cent., is reached. I have worked out just a little and I find it is not much—8·5 per cent. comes to about 8,000. I have not made up my mind on this point. I am just putting this question before myself and also before this honourable House that if we gradually decrease the rate beyond a certain limit then whatever is saved will be distributed to the shareholders and, undoubtedly, it will go to swell the general fund of dividends. In that case the Government will get less by way of taxes. But, if the rich man is allowed a little more, the slice that the Government is likely to get is a little more than in the previous case. So, before me, on the one hand there is this appeal of equality and on the other there is the appeal that my treasury will get more. If one situation develops the treasury will get more and in the other situation I get the moral advantage but there will be a corresponding material loss. Therefore, I shall hear my hon. friend Shri C. D. Deshmukh on all these points and that is the reason why I have made a request that voting on this clause be postponed. Let this be discussed today but voting on this clause may be taken at the time when voting is taken on clauses 347 and 351.

Now, if I were to give a parallel, when Ram left Ayodhya for *vanvas* Dasarath sent a few servants asking Ram to take them during his *vanvas* and this is the reply given by Ram:

यो हि दत्त्वा द्विपश्रेष्ठं कदायाम् कुरुते मनः ।
रज्जुस्नेहेन कि तस्य त्यजतः कुज रोत्तमम् ॥

You have already given up the big elephant and now you are just so much absorbed in having the little chain that is going to bind the elephant. Here, you have agreed, the House has agreed so to say,—that the managing agency shall continue for a period of 3 or 4 years.

Shri Asoka Mehta: No, no.

Shri Gadgil: When द्विप श्रेष्ठ is already gone, the little things which you are now trying to save do not constitute very much. But, as I have said, it appeals to me from the point of view of equality, and, as I said, if the rich managing agent is given a little more it is just likely that I as a citizen am interested in getting a little more from it by way of taxation so that it may be used elsewhere. These are two things which are before me. I have not come to any definite conclusion and hence my request that voting on this be postponed.

My submission is that we must be further enlightened by the Finance Minister. I am not worrying about the Commission figures of Shri Asoka Mehta, but there are the other figures which he gave that 64 managing agency companies are managing 450 big companies with a capital of Rs. 126 crores. This is a great point and whether concentration of economic power and money is all to the good or not, my own submission is that this is a matter which the Government ought to consider though it has not so much relevancy here.

Shri Asoka Mehta: That is the big elephant.

Shri Gadgil: We are now pledged—not one party or the other, but the entire Lok Sabha is pledged—to the socialistic pattern when we passed the amendment on the 21st December, 1954. The positive steps that we may take towards the realisation of that ideal may be small or big, but till we do that let us not erect new institutions or allow the continuance of old institutions which are likely to prove impediments or are likely to sabotage our efforts in the realisation of that objective. It is purely from that point of view that I would like the Finance Minister to consider this and, so far as clause 197 is concerned, I repeat my request that voting on this may be taken when we finally have a picture as to how much managing agency commission will be allowed. It may be possible that we may take voting here and when clause 347 comes up something else might happen, with the result that there will be incongruity and inconsistency. We are living in an age of dynamism and quick changes. Even men change their opinions very frequently. In the circumstances it is my humble submission that voting on this may be postponed.

Shri G. D. Somani (Nagpur-Pali): I would like to make a few observations on this clause 197 which has roused so much controversy. I agree with the observations made by one or two hon. Members that, so far as the remuneration to the managing agents is concerned, the House will have another opportunity, while discussing clause 347, to go into the implications of this remuneration. Therefore, perhaps, it would have been better if the question of remuneration to managing agents had not been put in the way in which it has been done by various speakers yesterday and today. Now, that this question has been raised I would also like to make a few observations, especially about the points that my learned friend Shri Asoka Mehta raised yesterday.

Shri Asoka Mehta: Not 'learned'.

Shri G. D. Somani: Well, I will say: 'my hon. friend' Shri Asoka Mehta.

First I would like to submit that if an hon. Member of the eminence of Shri Asoka Mehta could not make out a better case than what he did yesterday about this total managerial remuneration, then there is every justification not only for maintaining the 11 per cent that has been provided, but there is every reason for increasing it to a reasonable figure. Now, coming to his arguments, my hon. friend Shri Morarka, who preceded me just a little while ago, has dealt with many of the points, but to support that I would like to express my surprise that my hon. friend wanted the House to give more weight to the facts and figures of some stock-exchange or some other association than to the facts and figures given by the hon. Finance Minister. I think we are all agreed that the Finance Minister takes the utmost care in presenting the facts and figures to the House and, therefore it is hardly reasonable that any hon Member......

The Minister of Finance (Shri C. D. Deshmukh): May I say that I quoted from a paper to which I referred?

Shri G. D. Somani: This has also reference to the managerial remuneration, just as the information you gave about the percentage.

Shri C. D. Deshmukh: So far as the managing agency percentage is concerned, I have something to say because both the figures are given here—Table XIV.

Shri G. D. Somani: Apart from that, the reason is quite obvious. The remuneration at present being drawn by the managing agents stands absolutely on a different footing. Apart from the question of percentage on profits, managing agents in some centres, especially places like Ahmedabad, draw their managing agency commission even on the basis of sales. That being so, it is not at all linked with profits. Even if the company suffers a loss there are quite a few cases where the managing agents have drawn their remuneration on the basis of sales. There are also cases where, in the event of inadequate profits, the percentage may have gone up to as much as 50 per cent. or 100 per cent. of the profits. So, when we are discussing this question as to how far there will be a reduction from the present basis under the new Bill, we should realise the drastic changes that have been introduced in the Bill. The mode of calculating the net profits has been modified in a way which will ensure a substantial reduction in the remuneration which is being drawn by the managing agents at present. Apart from that, my hon. friend Shri Asoka Mehta quoted the example of Tatas and said that they are drawing only five per cent. in TISCO. I think if my hon. friend would have taken the common sense view of the problem he would himself have agreed that certainly that company is rather an exception than the rule. Perhaps it would be correct to say that we have in our country such a company of that size which, I can say, is only one in ten thousand. To apply the analogy of the percentage which is being drawn by a company of that size to the percentage of remuneration which an average company should draw seems to be very illogical. Of course the Tatas are not only managing a steel company but they have got a number of textile concerns, chemical concerns, oil mills and so on and so forth. May I also request the hon. Member to enquire even from Tatas what is the percentage of commission which they are charging for those concerns which are not so big as the Tata Steel Company? My point is, to apply the analogy of five per cent. which the Tatas are charging from the steel company does not in the least justify that the maximum remuneration which can be paid by any company should be not more than eleven per cent., irrespective of the size of the large number of average companies. My friend Dr. Krishnaswami yesterday pointed out how a number of companies with a paid-up capital of Rs. 10 lakhs or Rs. 15 lakhs would find it very difficult to manage their total managerial remuneration within this eleven per cent. and how their development will be retarded. I will come to that point a little later.

I again come to the point made by Shri Asoka Mehta regarding elasticity. I think he was rather taking an unrealistic view when he expressed the fear that the Government might liberally allow the remuneration to be raised under clause 351. Personally I feel that he will be rather a very bold managing agent in future who, looking to the trend of the House as well as outside opinion towards the managing agency system in general and the remuneration in particular, will dare to come before the Government for increasing the remuneration over and above the maximum that is allowed in the Bill. Again, I think that he will really be a very bold Finance Minister or a bold Government officer who will allow any such increases in the remuneration for which there will not be the very strongest justification if the question is later on brought before the House. So, in my opinion, the fear lies the other way, that is, the Government will be very hard in making any exception to this rule regarding the increase in the managing agency remuneration. Therefore, any fears that the hon. Member may have about the liberal use of this provision of clause 351 are absolutely imaginary.

Now, I would like to come to the real question which is involved under this clause, to the implications of which full consideration does not seem to have been given. My submission is that this clause was not there in the original Bill, and it was brought in at the closing stages of the deliberations of the Joint Committee. I have no quarrel and at present I want to confine my remarks to the difficulties that will have to be faced in quite a substantial number of cases, by the provisions of this clause. I am aware that the Government are taking necessary powers to relax this clause in certain cases, but just now my hon. friend Shri Gadgil was arguing that this provision is really meant to be applied only in a few deserving hard cases.

Shri Asoka Mehta: What is that power?

Shri G. D. Somani: This power, which the Government are taking, to give exemption to certain cases and to give greater remuneration to their managerial staff will be utilised only in a few hard cases. My submission is this. This consideration about the difficulties of companies being restricted to only a few hard cases is not based on facts. I would like to submit that this hardship is bound to arise in practically most of the cases beyond, say, a capital of Rs. 10 lakhs or 15 lakhs. So far as the small-scale companies are concerned, as my friend Dr. Krishnaswami said yesterday, they will find it very difficult to apply this eleven per cent., because it will leave very little, after paying the managerial staff, for themselves. Apart from that, so far as the companies with a paid-up capital of Rs. 10 lakhs and over are concerned, difficulties of a genuine nature will arise in a very large number of cases and, therefore, this conception of restricting the application of this clause only to a few hard cases does not seem to be warranted by facts.

We may first take the case of new companies. It cannot be seriously doubted that so far as the new companies are concerned, the first five or seven or eight years are not going to give them adequate profits which will enable them to regulate their managerial staff remuneration on the basis of eleven per cent. which has been provided in the Bill. The bigger the company the greater will be the nature of the expenses and it is not a question of one company or the other which, in a particular instance, will be faced with this difficulty. My submission is that in practically all cases of new floatations with a capital of Rs. 10 lakhs and over, this restriction of remuneration to Rs. 50,000 is going to affect them adversely. We have to analyse and examine this clause in the light and context of the developmental programme that we have before us. If we are thinking in terms of that ambitious developmental programme, naturally the Government should admit that the number of new floatations which will be springing up in the second Five Year Plan period is going to be so large that the way in which this amendment has been put is bound to cause a lot of difficulties.

I would here like to draw the attention of the hon. Finance Minister to the wordings of the provision which says:

> "The Central Government may by order sanction an increase in the minimum remuneration of such sum, for such period and subject to such conditions, if any, as may be specified in the order".

The fulfilment of all these conditions—"for such period, and subject to such conditions" etc. will naturally

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involve a lot of investigation into each case. It is not clear that the permission will be automatic. It will involve a lot of searching enquiry into the company which will be submitting its application to the Government, and the Government, in coming to the decision has to consider whether the remuneration that is being allowed to a particular managerial officer is reasonable, what would be the period for which this exemption will continue, what would be the further provisions or conditions which the Government should impose, etc. That is taking rather something of onerous task upon the Government. I think it will be difficult for a Government Department to scrutinise each and every case and to go into the merits of each case to that extent which will involve a lot of searching enquiries.

Then apart from the new companies, the question of existing companies may also be considered. The existing companies which have got surplus resources at their disposal will naturally like to expand. But this restriction will result in discouraging the expansion activities of the existing concerns, because the profits will be less during the expansion period. The provision for depreciation itself will be such that during the initial period when the expansion programme comes into operation for quite a few years, the profits of the existing companies will not allow the smooth functioning of those companies under this clause. Naturally, therefore, those existing companies which have an expansion programme before them will face a very genuine difficulty if the clause as it is proposed remains on the Bill.

We can also take the third category of industries where the profits fluctuate year by year. It is not a very uncommon thing; it happens that in all major industries due to the various economic factors that regulate the working of industries profits vary from year to year very considerably. In those cases, if any managing director or any general manager draws any remuneration which will not be covered by this overall 11 per cent., then he might be guilty of taking a loan from the company and as a director, the consequences will follow; he may be liable to income-tax and so many complications may arise. It is clear that the accounts of any company are not finalised for quite a few months after the accounting year is closed. Naturally, therefore, when the accounts are finalised, the recipient of the amount will discover that he had overdrawn and that his case is not covered by the maximum provided in the Bill. Therefore again certain difficulties will arise. My submission is that it is not a question of a few cases of genuine hardship which will take place under the provisions of this clause. I visualise that there will be a widespread and substantial number of cases involved which will have to be dealt with by the Government if they take this power. Coming to the reasons which necessitate the restriction, the hon. Finance Minister yesterday gave only one reason and that was that "unless these restrictions are imposed, there might be circumvention". I quite agree that no loophole should remain which will allow any circumvention to take place. But in this case, I may draw the attention of the hon. Finance Minister to the amendment already tabled by my friend Dr. Krishnaswami which says that any managing director or manager who may be an associate of the managing agents may be put under these restrictions. I am not pleading that anybody and everybody who may be a relative or a nominee of the managing agents should be allowed to be appointed and draw remuneration and thereby circumvent the maximum ceilings that have been placed. But the question pure and simple here is one of those independent and outside executives whose cases also are brought within the purview of this clause. My submission is that so far the appointments of any independent outside executives are concerned, whether in the position of the managing director or general manager or in any other category, these appointments should be taken out of these restrictions and every company should be at liberty to freely make appointments, so long as those appointments are genuine and are not within the term of an "associate" of the managing agents. Even the position of the managers of the factory is not clear. It might be that the company may have only one factory and the factory manager may be in charge of general management also; that manager would be subjected to these restrictions and his salary would be brought within this overall maximum. Therefore, my submission is that I do not see the slightest justification for any restrictions being imposed on the appointment of independent outside technicians or administrators to work in various companies. If the cases of all such outside employees have to be approved by the Government, then it will mean a genuine hardship. After all, however, efficient it might be, the administrative machinery will certainly have to cope with so many problems under the new Act that I am afraid that it will really lead to a lot of unnecessary delay and inconvenience if all these thousands of companies which might spring up in the country and which will naturally require the payment of a remuneration of more than Rs. 50,000, have to approach the Government, seek their approval and then satisfy them so as to enable the Government to form a correct opinion about the conditions which they may like to impose regarding the period for which they may grant exemption, and so on and so forth. So far as one can see, the only fear about the salaries of the executives being restricted is that such appointments should not be made in a manner which might enable the managing agents to employ their own associates for those posts and thereby indirectly increase the remuneration. The Government can certainly bring in this condition by any other method which they may choose, either by accepting the amendment of Dr. Krishnaswami or in any other manner which they think fit. I plead with all the earnestness at my command that so far as the appointment of outsiders is concerned, it should be as easy as they can make it. The present provision is so worded that the Government will enquire into all the minute details about the terms and conditions and the quantum of remuneration, period of appointment etc. All these things involve a lot of unnecessary enquiries; it would have been quite enough if the enquiry is restricted only to the fact as to whether the candidate referred to in the application is in any way connected with the managing agents. Once the Government are satisfied that the person being appointed has nothing to do with the managing agents or with the promoters of the concern and that he is an independent outsider appointed solely for the efficient management of the concern, then the approval should be automatic and any further conditions or the duration of the period should not at all arise, if our company management is to run on sound and efficient lines. I know that there is a section of the House which wants that the socialistic pattern of society should be adopted in so many clauses of this Companies Bill. I would like to know from the hon. Finance Minister whether the Government's policy in restricting the remuneration is based on the conception of socialistic pattern of society, because in that case, it will be unfair to restrict the joint-stock enterprises alone; it should be done in a more general way. So far as the Companies Bill is concerned, the appointments should be made purely on merits. I would, therefore, like to be convinced by the hon. Finance Minister as to how he will meet all the difficulties which the vast number of existing and new companies, whose profits will be fluctuating from year to year, might create—by the powers which the Government are taking and which might involve the various com-

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panies in needless hardship. Representations have been made both by the Associated Chambers of Commerce, Calcutta, as well as the Federation of Indian Chambers of Commerce and Industry drawing attention to the varied implications of this clause and how this clause might retard the economic development of the country. So long as one can satisfy the House that any freedom in the matter of remuneration will not be abused or will not in any way be taken undue advantage of by the managing agents, there is no reason why the Government should not give the maximum possible scope for the best possible talent to be utilised by our industrial concerns for their sound management and I hope that this aspect of the question will receive proper and serious consideration from the hon. Finance Minister.

Shri M. S. Gurupadaswamy (Mysore): Before I deal with some of the amendments that have been suggested, I may remind the hon. Finance Minister of an anecdote. In Spain, for the first time when a railway line was constructed, a Spanish peasant wanted to go in the train. He travelled in the train. On the way side, he got down to purchase something in the stall. While he was busy in the purchase, his train passed away and another train took its place. He thought that that was the same train in which he was travelling and he entered the train. He asked his neighbour who was a stranger, whither you are going. He said that he was going in the opposite direction. He wondered and exclaimed, what marvels science has wrought, we are going to the opposite directions and still we are in the same compartment. In the same manner,...

Mr. Deputy-Speaker: Such mistakes are committed by others also; not only in Spain.

Shri Bansal: It happened to me.

Shri M. S. Gurupadaswamy: The Finance Minister has committed that mistake. We are in the same predicament of the Spanish peasant. The Finance Minister has made out that we have considerably changed in respect of managing agency remuneration to the better. He has said that the step that has been taken by him and by some of the Members of the Joint Committee is very progressive. But, to me it appears that we have been just adopting the rigid *status quo*. We have not much changed. The suggestion that has been incorporated in clause 197 does not take us far enough.

Yesterday, my hon. colleague Shri Asoka Mehta gave some overall figures to show that the percentage fixed for managing agency remuneration is not very revolutionary and he made out that there is not much scaling down in the managing agency remuneration, if we were to adopt this particular clause. Here, I shall give some break-up figures to show that the percentage that has been fixed in this clause, namely 11 per cent., is not revolutionary, that it is not radical and that it will only confirm the *status quo*. Here are some of the figures. In the case of the mining and quarrying industry, the managing agency commission is only Rs. 8 lakhs, which works out 1·2 per cent.

Shri C. D. Deshmukh: What is the source of the hon. Member's figures?

Shri M. S. Gurupadaswamy: I have taken from some of the journals. I am not able to give him information immediately. I have collected from various sources. But, I will be glad if the Finance Minister corrects me if I have gone wrong in these figures. Any way, these are some of the figures that I have collected.

As I said, in the mining and quarrying industry, the percentage of managing agency commission comes to 1;2. In the case of processing and manufacturing industries, it works out to 7·8 per cent.

Shri C. D. Deshmukh: On what? Net profits?

Shri M. S. Gurupadaswamy: That is right. In the case of cement it is 10 per cent.; in the case of paper it is 7·4 per cent.; in land and estate, it is 8·2 per cent. These figures will show that the managing agency commissions are already less than 10 per cent. in some of these industries. In the case of some big industries like textiles, the managing agency commission is more than 20 per cent. To be exact, is 21·9 per cent. Here, I may point out to the Finance Minister that it was the peculiar way of calculating the managing agency commission which was responsible for this inflated figure. In Ahmedabad, a strange system of calculation was adopted and it included the commission on sales. So the commission in the case of cotton textiles is rather inflated. Moreover, in 1951, if the Government had taken steps, such a large commission could have been stopped. Anyway, Government did not think fit at that time to take steps to cut down the managerial commission of the textile industry. It was allowed. Perhaps, the reason for allowing this high commission to the textile industry may be the approaching elections at that time and they wanted to please the cotton magnates and they wanted to have their active co-operation in financing the elections. Or it might have been thought that it would not help them to displease the powerful ring of cotton merchants and manufacturers at that time.

My hon. friend Shri G. D. Somani said that in the case of the TISCO, Tatas, only 5 per cent. commission is charged, and it is only an exception; it is not the rule. My point is that it should not be an exception it should be made a rule to all industries. When it is possible for the Tatas to manage such a huge concern, when they have been able to build up a huge industry with a small remuneration, why is it not possible for the other managing agents to take the same amount of commission and manage the industry?

Shri C. D. Deshmukh: Because they are huge.

Shri M. S. Gurupadaswamy: Tatas are huge enough. They take 5 per cent. or a little more.

Shri Bansal: Does the hon. Member know for how many years they are taking 5 per cent, or a little more?

Pandit Thakur Das Bhargava (Gurgaon): The actual amount that they take will be several times more. What does their capital amount to?

Shri M. S. Gurupadaswamy: Do you mean to say that this percentage should be varied according to the amount of income that one should get? Is it your contention?

Pandit Thakur Das Bhargava: Yes, certainly.

Shri M. S. Gurupadaswamy: That is not the principle of the Bill.

Shri C. D. Deshmukh: Is the hon. Member aware of the capital at charge in the Tatas? It is Rs. 20 crores.

Shri M. S. Gurupadaswamy: May be it is huge.

Shri C. D. Deshmukh: The net profits will be Rs. 2 crores. You calculate 10 per cent. or 5 per cent.

Shri M. S. Gurupadaswamy: My own point is this: whether the percentage should be calculated in relation to profits or it should be calculated on the basis of what the managing agency ought to get. A concern may earn Rs. 2 crores or Rs. 3 crores as profits, or may be, say, Rs. 10 lakhs. The point is whether the commission should have any relation with the profits of an industry or not. So, if you say..

Pandit Thakur Das Bhargava: The amount of profit is much higher if the capital is much higher. In an ordinary company where the capital is, say Rs. 10 lakhs, if the average is taken, it will not be so much, but the average will certainly amount to a very high figure if the capital involved is, say, Rs. 20 crores.

Shri M. S. Gurupadaswamy: If the amount involved, if the investment is very huge, the profit also is .

Pandit Thakur Das Bhargava: Comparably equal percentage, put the net profit will be higher.

Shri M. S. Gurupadaswamy: The percentage may not work out at a higher rate.

Shri Asoka Mehta: It is Shri Bogawat's amendment. Are you accepting that amendment?

Pandit Thakur Das Bhargava: So far as I am concerned, I would accept it.

Shri M. S. Gurupadaswamy: It is good enough. So I say there must be some basis for calculating the percentage. Now we have adopted that percentage should have relation to net profit. The next point would be whether this figure of eleven is fair or is reasonable. With due respect to you, I may submit that in South India...

Mr. Deputy-Speaker: I am not a managing agent.

Shri M. S. Gurupadaswamy: I am talking of the number eleven. The number eleven is considered to be very inauspicious in South India.

Pandit Thakur Das Bhargava: Is it so?

Shri Bansal: Not in North India.

Shri M. S. Gurupadaswamy: It is a very bad number. I just cut a joke at the figure eleven. I do not know why they have fixed the figure at eleven. it is considered to be inauspicious.

Shri Bansal: The hon. Member was in the Joint Committee and it was fixed when he was there.

Shri M. S. Gurupadaswamy: I think the hon. Member knows that we did not vote for it.

Mr. Deputy-Speaker: Then he wants 21 or 31, is it?

Shri M. S. Gurupadaswamy: It is only a suggestion by the way. That eleven is not an auspicious figure in the South.

Mr. Deputy-Speaker: It can be both increased and decreased.

Shri C. D. Deshmukh: Tata's gross profits are Rs. 797 lakhs and depreciation is Rs. 235 lakhs, so that if you omit that, it is about Rs. 5½ crores.

Mr. Deputy-Speaker: Five per cent. on that?

Shri C. D. Deshmukh: On that you can take anything. It is quite a nice figure.

Shri Asoka Mehta: Then, are you accepting the amendment of Shri Bogawat?

Shri C. D. Deshmukh: That is another matter. I am only referring to this argument.

Shri M. S. Gurupadaswamy: My point is whether the provision made here will bring down the managerial remuneration to a reasonable extent, and I say it will not. Certain industries may accumulate huge profits and give less percentage of remuneration for managing agents.

Shri Tulsidas (Mehsana West): How will they make huge profits?

Shri M. S. Gurupadaswamy: Just now the Finance Minister said that Tatas have earned such a huge income. The managing agents could afford to take only five per cent. That is his contention. Then, if that is so, would he accept a slab system as suggested by Shri Bogawat? I am prepared to agree. Otherwise, as Shri Asoka Mehta pointed out yesterday, how is it possible that in certain companies the managing agents are getting only 0·11 per cent? How can they live on this profit? It is because of the astronomical figures of the capital and the profits.

Shri Asoka Mehta: Because the profits are large.

Shri M. S. Gurupadaswamy: Because the profits are large. In England and America you will see that in very few instances more than 10 per cent. is allowed to managing directors or managers, and it is the rule, it is the normal practice to allow less than 10 per cent, in America. And I agree with Pandit Thakur Das Bhargava that in America and England the profits are huge, and that is why they take less percentage. But in India the profits may be less. So, let us agree with Shri Bogawat. If Shri Bogawat's amendment is accepted, I am prepared to withdraw my amendments. I have suggested in my amendment that six per cent. should be fixed instead of eleven per cent., and Rs. 25,000 should be accepted as the maximum instead of Rs. 50,000.

Mr. Deputy-Speaker: Have two scales been suggested, one on the quantum of profits and the other on the percentage of profits?

Shri M. S. Gurupadaswamy: Yes. In cases where companies do not make profits or make inadequate profits, then this Rs. 50,000 is allowed, and in cases where there is profit, then eleven per cent. is fixed. That is the over-all ceiling that has been fixed. There is an apparent contradiction in this. I want to know the meaning of "inadequate profit". Suppose a company makes Rs. 10,000 profit. You may consider it as inadequate and saying that it is inadequate, you will allow according to this clause Rs. 50,000. But if you consider it as adequate profit, you will allow only 11 per cent., but 11 per cent, may work out less than Rs. 50,000.

Shri Tulsidas: If it is less than Rs. 50,000.

Shri M. S. Gurupadaswamy: So, what is the criterion to find whether the profit is inadequate or not? What is the amount which is called inadequate? What is the amount which is more than adequate? Is there any amount fixed, any quantum fixed, to say that up to this percentage profit will be called inadequate, beyond this percentage the profit will be called adequate? There is an apparent contradiction in the clause itself. So, there will be a lot of practical difficulties which will crop up hereafter. The managing agents, managers and the executive may take advantage of it and exploit it to their own advantage. They may say: "We have not earned adequate profit. So, grant us Rs. 50,000. We will take it and not eleven per cent." Then again, there is another clause to which Shri Asoka Mehta referred—clause No. 351 by which in certain cases additional remuneration may be given of more than what is provided in clause 347 and such remuneration has to be sanctioned by a special resolution of the company and approved by the Central Government as being in the public interest, I cannot understand what is the public interest involved in such cases. Except private interest, I cannot think of any public interest. If you say that whatever economic activities carried on by entrepreneurs are good to the country, then everything is good, everything is in the public interest. But if you say that certain activities carried on by managing directors, managing agents or any entrepreneur are to promote their own end, then they would be considered as not being in the public interest. How to draw a line between public and private interest? So, vast powers of discretion are given to the Government to say that a particular thing is in the public interest or it is not in the public interest. Here, there will be large scope given to Government to play with the industrialists, to play with the public.

Shri K. K. Basu: Yes, to get funds for the elections.

Shri M. S. Gurupadaswamy: And they may discriminate one against the other, play one against the other. The elections are approaching and are very near. They may say: "Look here, if you pay so much to the Congress Party, we will allow you this remuneration".

Shri Sinhasan Singh: Your party also.

Shri M. S. Gurupadaswamy: There is no chance for us so long as you are there in the Treasury Benches.

Shri Asoka Mehta: We do not want that chance.

Shri Sadhan Gupta (Calcutta South-East): Every five years there will be a managing agent's boom, is it?

Shri M. S. Gurupadaswamy: Then again, according to clause 354...

Mr. Deputy-Speaker: There are others also who want to speak.

Shri M. S. Gurupadaswamy: Yes, Sir. I will be finishing.

According to clause 354, the managing agent is entitled to be reimbursed in respect of certain expenses. He is not entitled to office allowance now, for that is ruled out under this provision, but he is entitled to be reimbursed if he incurs expenses in respect of certain things on behalf of the company. Now, what are the things for which he has to incur expenses? That is not known to us. We have provided in clauses 197 and 347 that the overall limit for managerial remuneration should be 11 per cent. and that the limit of managing agency commission should be 10 per cent. But the provisions of clauses 351 and 354 nullify what is intended by clauses 197 and 347. Our main purpose will not be realised and will be sabotaged by clauses 351 and 354. Under these clauses, you will see that the managing agents may be allowed more remuneration and be made to get more money. I cannot understand that. If the purpose is to limit the profit or the remuneration of the managing agency or the managing director or anybody else, then you must frankly say, this is the limit beyond which you should not go, and this limit will operate rigidly. On the other hand, we find that these provisions dilute clauses 197 and 347. I would say therefore that clauses 351 and 354 may be completely deleted. They are not at all necessary, and the heavens would not fall if you omit them.

Shri C. D. Deshmukh: Are we discussing clause 354 now?

Mr. Deputy-Speaker: When we come to clauses 351 and 354, we can see whether the heavens would fall or get up.

Shri M. S. Gurupadaswamy: They are all linked up One cannot be divorced from the other. So, this clause should be held over.

Mr. Deputy-Speaker: The hon. Member's point is that the whole group goes together, and he has even made the suggestion that clause 197 may stand over, not that I say that the hon. Minister accepts it. The hon. Minister only says that the one is slightly different from the other.

Shri C. D. Deshmukh: Clause 197 refers to remuneration. It does not refer to expenses. Now, I can understand the suggestion that we keep over the voting on clause 197 till we discuss the connected clauses 347 and and 351. But clause 354 does not refer to remuneration at all. It refers to recoupment of expenses like travelling allowances and other things; just as if I consider my salary, I do not consider the travelling allowances...

Mr. Deputy-Speaker: I felt the hon. Member was saying that the managing agent must incur office expenses also from his earnings.

Shri C. D. Deshmukh: Office expenses are prohibited now. But he refers to any other expenditure that has been incurred by the managing agent on behalf of the company, and can be recouped by the managing agent in accordance with the procedure laid down in clause 354. I am not aware of any amendment which says that in clause 197, the wording will be, remuneration or recoupment of expenses or anything else. There is no such amendment.

Mr. Deputy-Speaker: Evidently, what the hon. Member wants to say is that the other expenses also, not office expenses, ought to be within the remuneration allowed.

Shri C. D. Deshmukh: If you omit clause 354, then there would be a case for increasing the limit in clause 197. If you are not going to reimburse something which the managing agent has incurred, then you ought to pay him more, and not less.

Mr. Deputy-Speaker: The hon. Member does not want that. He does not want to pay anything more than 11 per cent., whether office expenses and other expenses are there or not.

Shri M. S. Gurupadaswamy: My amendment seeks to limit it to 6 per cent. It includes not only office expenses but all other expenses also. So, no further reimbursements should be allowed.

Shri K. K. Basu: Including entertainment of Ministers.

Shri M. S. Gurupadaswamy: We have been talking very much of the socialistic pattern of society. My hon. friend Shri G. D. Somani and others have referred to it *ad nauseum*. In fact, my hon. friend Shri G. D. Somani asked, are we importing this socialistic pattern into every clause of this Bill? And he wanted to have a sort of an economic Monroe doctrine applicable to company affairs. He wants a thick curtain around company affairs. He does not want the socialistic pattern and the ideas flowing from it to percolate or penetrate into, or interfere in, the affairs of company management and company administration.

If Shri G. D. Somani would be good enough to look into the existing pattern of society to see how a few managing agency houses have been controlling not only the apex of the economic system in India but also the very life-breath of the economy of our country, he would understand why we have been dinning into the ears of everybody that we should implement the idea of the socialistic pattern of society or socialism early and that it should find a place in every clause in every economic law and in every activity of Government.

Here are the figures. Nearly 6 or 7 managing agency houses are drawing nearly Rs. 1·62 crores as profits.

Mr. Deputy-Speaker: All of them or each one of them separately?

Shri M. S. Gurupadaswamy: I have here jotted down the names of the companies. They are the Tata Iron and Steel Co., the Indian Iron and Steel Company, the Delhi Cloth Mills, the Associated Cements, the Bombay Dyeing Mills, the Calico Mills, the Arvind Mills, the Ambika Mills, and the Jayaji Rao Mills.

Mr. Deputy-Speaker: Each one of them has got Rs. 1 crore?

Shri M. S. Gurupadaswamy: All these are getting Rs. 1·62 crores.

Mr. Deputy-Speaker: Have Tatas alone got Rs. 1 crore?

Shri M. S. Gurupadaswamy: The Tata Iron and Steel Co., got Rs. 35 lakhs.

Shri Asoka Mehta: It is the profit figures that are given first. Out of that, the net profits come; and this amount is the managing agency remuneration.

Shri G. D. Somani: Of eight big concerns.

Shri M. S. Gurupadaswamy: Still, my hon. friend Shri G. D. Somani is not satisfied, and he wants them to get more.

Shri Asoka Mehta: He is not in this list yet.

Shri M. S. Gurupadaswamy: So you will see that a few managing agency houses are controlling the economic destiny of India.

We have pointed out in our minute of dissent that we cannot tolerate 'Ceazarism' in economic affairs. We want to end it. The only way of doing it away by peaceful means is to scale down or to control the profits that the managing agents or the managing directors and others are getting today. This is the only peaceful and normal way of introducing socialistic pattern indirectly, and non-violently.

Mr. Deputy-Speaker: I think it would have been more useful if some hon. Members at least had tried to bring out the following points. What is the number of big companies, small companies, medium companies separately? Whoever might manage them, what will be the approximate cost of management? Whatever be the circumstances and whatever be the sacrifices that he has to make, what would a man with that capacity charge? Then, what are the exorbitant charges that are made by these people now?

[Mr. Deputy-Speaker]

These are the points that could have been usefully dealt with. What is the good of again and again repeating the same thing, saying, why not have socialistic pattern in every clause in the company law, and so on? After all, I am also one of the Members here. I have also to be convinced, if I have to exercise my vote inside the House, or I have to cast my vote from here.

Shri K. K. Basu: There is hardly any chance of that.

Mr. Deputy-Speaker: These are the points which should be clarified. Some hon. Members at least must say, if I had managed this concern, I would have been able to manage it within this amount, why are these people taking more merely because the company gets Rs. 20 lakhs of profits, and so on.

Shri Asoka Mehta: Let us have the figures in regard to the management of concerns that are today owned and operated by Government. That will give us an idea. Let the Finance Minister tell us what is the cost of management of the Sindri factory, for instance. Surely, it is not Rs. 30 lakhs.

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Mr. Deputy-Speaker: That is the way.

Shri Asoka Mehta: It is very easy to get those figures about Government undertakings.

Mr. Deputy-Speaker: There should be arguments both for and against. After 11 per cent. is not sacrosanct; it can be 111 or 121. But how is this arrived at, what is the normal expenditure all this should be gone into. How much more are giving, should also be found out. These are the figures which will convince any House.

Shri M. S. Gurupadaswamy: We are very anxious that the socialistic pattern should not become a patten—without the 'r' in it. If it has to be live philosophy, if it is to be worked out properly, then it must find a place in every section of the economic law of the country; every section should breath the spirit of the socialistic pattern. Otherwise, we cannot achieve it.

Lastly, I would say that my amendments to clause 197 may be accepted. They are very reasonable. If they are not acceptable, then I commend the idea of Shri Bogawat and his amendment may be accepted.

Shri Sadhan Gupta: In connection with this group of clauses, I shall try to introduce two main principles. The first relates to reduction of remuneration; secondly, I would attempt to add another clause dealing with prohibition of management by undesirable persons. I shall also make one or two comments on the provision relating to tax-free payments.

There is no wonder that this clause about remuneration—clause 197—has attracted the greatest amount of attention, because it concerns pockets all round; it concerns the pockets of big business; it concerns the pocket of the employee; it concerns the pocket also, in a way, of the shareholder. When I look at the clause, I look at it from the point of the employees and from the point of view, possibly, of the smaller shareholders also. When you prescribe a remuneration for the managing director or managing agent, when you prescribe a remuneration as high as is prescribed in clause 197, you have to look to the interests of those classes also. I wonder what has happened to the Government's sense of proportion in this matter. We have from this House as well as from many platforms, proclaimed that there should be a ceiling on income, that in a poor country like ours, where the multitudes of the people are poor, where poverty is the rule, there should be some ceiling put on the amount of money that a particular person or a group of persons may take away. Now, various ceilings have been mooted, 30 to 1, or whatever it may be. But what is provided here is, I may say, absolutely unconscionable. Whether it is in the case of profit or whether it is in the case of loss, it is unconscionable. In the case where profit is made, the figure of 11 per cent., which is provided, is, I would call it, enormous and in the case of loss, the figure of Rs. 50,000 which is being laid down as the maximum is, I would say, fabulous. This figure of 11 per cent., has been vehemently supported on the ground that 5 per cent. is too little. This argument has been sought to be strengthened by saying that Tatas may manage with 5 per cent. because they have a huge capital structure and huge profits, but other do not have that size. But this outlook is only looking at it from the managing agents' point of view or the directors' point of view and from no other point of view at all. It can be said with equal logic that whereas Tatas have a huge profit, they can bear a greater proportion of remuneration to the managing agents or to others than other companies—I, of course, am not pleading for Tatas granting greater remuneration. But the thing is that you must look at it from the point of view of the capacity of the company also and not only from the point of view of the demand of the managing agents. What is the capacity of the smaller company? If Tatas can bear a remuneration of 5 per cent., a smaller company cannot; it needs every rupee of the profit it makes for its own purposes, for paying a better wage to the employee, perhaps for paying a better dividend to the shareholders. Therefore, this 11 per cent., balancing both sides and looking to the circumstances of our country is, I think, too high, and some of the amendments suggested are worth accepting. I would give first preference to the amendment suggested by Shri K. P. Tripathi. He has linked up remuneration with the amount of wages paid to the workers. That is an admirable suggestion; I commend that amendment to the acceptance of the House because, as Shri K. P. Tripathi has pointed out that would be an incentive to give something more to the employees, something more to the workers and poor employees of the company. This amendment has been objected to on the ground that the concept of a a living wage or fair wage or minimum wage is rather hazy and, therefore, cannot be adopted as a determining factor. Now, Sir, that is not so. Any number of cases are being tried by industrial tribunals and they are fixing a fair wage with reference to a minimum wage and with reference to the concept of a living wage. That is being done everyday. Also there is the report of the Fair Wages Committee which has defined the concept of a living wage, which has defined the concept of a fair wage and which has defined the concept of a minimum wage. Therefore, although as yet in terms of money, the amount of living wage has not been fixed, yet we have a concept of what a living wage is and we can easily arrive at that concept with reference to the cost of living indices in different places. There would be no difficulty about it. Industrial tribunals have fixed the fair wages with reference to the cost of living, and the amount of living wage can be calculated with reference to the cost of living. Therefore, there is no difficulty in linking the remuneration payable to managing agents or directors with the concept of a living wage or fair wage or minimum wage. That is why I commend the amendment of Shri K. P. Tripathi's to the acceptance of the House. But if that is not accepted, I would suggest our amendments where we have provided that 6 per cent. should be the limit in the case of a company making profits and Rs. 20,000 to Rs. 30,000—we have got three amendments, one for Rs. 20,000, another for Rs. 25,000 and the third for Rs. 30,000 —in the case of loss. Now this 6 per cent. is, in the circumstances of our country, I submit, a reasonable return in the case of profits. Mind you, this 6 per cent. would refer to remuneration in excess of Rs. 30,000. We provide Rs. 20,000 or Rs. 25,000 or Rs. 30,000 whichever is accepted. We also provide this floor limit. Therefore in any case the managing agent or the director is sure to get Rs. 20,000 to Rs. 30,000 whatever be the position of the company, however ruinous the financial position of the company may be. But, when it ex-

[Shri Sadhan Gupta]

ceeds Rs. 30,000 it should not be more than 6 per cent. That is what we have suggested. I think it is quite enough. It is said that this would damp the ardour of the managing agents for management of companies, that it will damp the ardour of entrepreneurs for undertaking new risks, I do not accept this view for this. Simple reason. Undoubtedly if one has a position in the country where one can earn lakhs and lakhs of rupees by becoming managing agents you would not get people who would come for Rs. 30,000 or Rs. 40,000 But when you fix a limit beyond which they cannot earn in business, then entrepreneurs would be content to take that amount because even though you restrict it or limit it to Rs. 20,000 or Rs. 30,000 there is no other occupation where they can get more. So they will have to engage in this kind of business and hence this scare of capital being shy need not be taken seriously.

In connection with remuneration I have to notice two other points, one made by Mr. Gadgil and one by Mr. Somani. Mr. Gadgil, quite unlike himself, has posed a question, although he did not pose it as his opinion, that if you pay more remuneration to managing agents or managing directors the State gets more by way of taxes and if you pay them less, other people —he mentioned only the shareholders —will get more. Now, which is good? I submit that this poser itself is a fallacy.

In the first place, there is no certainty that the extra remuneration you pay to the managing agents comes back to the State proportionately by way of taxes. I say this for this reason. If you pay extra remuneration, the managing agent will try and see if he could evade the tax by concealing some income from some other source which is not amendable to the supervision of the taxing authority. That can easily be done and the more the income from one place the more the incentive to try and find out incomes which have to be hidden.

Secondly, it is not also a fact that if the extra amount goes to some other hands, to the hands of the shareholders as Mr. Gadgil puts it, it is entirely lost to the State. This extra amount which is saved by depriving the managing agents or the managing directors does not go only into the hands of the shareholders. We must think of the employees. Their demands are often rejected on the ground of the incapacity of the companies. If the company has an extra amount the employees will be able to lay claim to that and they will be better off for the amount that is saved by restricting the remuneration of the managing agents. When employees are better off it is certainly a better thing than getting a few rupees more as taxes. To realise tax is not the entire be-all and end-all of Government. The main thing is the betterment of the people and if the people are better off, ultimately the State Exchequer is also better off. This I say is a long-term thing. But even in the short period the fact that money goes into the hands of poorer people does not mean that it is lost to the exchequer; it must come back to the exchequer in some form or other. Income-tax is not the only way of getting money into the exchequer. If you pay a poor person more than he earns today he purchases more. He purchases all kinds of things and on almost every commodity today there is a tax, either the sales tax or excise duty or both and in that way a part of it comes back to the State as a tax. In any case, through the betterment of the condition of the employee, through the increase in the standard of living of the employee, the Government gets more by way of taxes and also gains by the improvement in the general condition of the country.

Regarding the Central Government's power to extend the limit of remuneration—the floor limit—Mr. Somani has said that it would almost be a dead letter because he would be a very bold managing agent who would ask for an increase and the Finance Minister would also be a very bold one to agree to the increase. I do not subscribe to that view (*Interruption*). I think where money is concerned the managing agents are not likely to lack valour very much. They are quite likely to ask for extension in any case. And, on the Government's side it is not the Finance Minister alone that needs to be taken into consideration. I can conceive that in every case it will not be the Finance Minister who will decide. Perhaps it will be decided by officers and I would say that the officers would also be not lacking in valour or boldness if there was gold in the consideration and we cannot escape the fact that plenty of gold will flow as consideration for this kind of thing. Even in the case of the Finance Minister, we must not think in terms of the present Finance Minister. The present Finance Minister is not here for eternity and corruption among Finance Ministers is also not unknown. Therefore, we do not think that there would be any lack of valour either in the managing agents or in the Government.

The next point I want to emphasise in regard to......

Mr. Deputy-Speaker: The hon. Member must be quick. We will have to conclude this group by 3-15. I understand the hon. Minister wants to explain the things which have been said in detail and he wants about 45 minutes.

Shri K. K. Basu: Let it be extended for some time more.

Shri Bansal: Some more time should be given.

Mr. Deputy-Speaker: Whatever time is taken for this group will be withdrawn from the other group.

Shri Bansal: That is all right: the other group is not very important.

Mr. Deputy-Speaker: There are 42 clauses there.

Shri Bansal: But they are not so important.

Shri K. K. Basu: It won't take long unless some one wants to discuss details about drafting etc.

Mr. Deputy-Speaker: Out of the two hours allotted for the next group how much time shall we take for this? Shall we take half an hour?

Shri Bansal: One hour, Sir.

Shri Altekar (North Satara): I want to speak on the next group for about 20 minutes.

Shri K. K. Basu: He may take 20 minutes.

Mr. Deputy-Speaker: We are not going to extend the 9 hours. Therefore, two hours remain after 3-15. It is only less than an hour now. The hon. Minister wants to take 45 minutes Then Shri Tulsidas, Shri Bansal and others also want to speak. Then there is Shri Dube and there are several others who want to speak. Therefore, each hon. Member must confine himself to five minutes.

Shri Bansal: Ten minutes at the most.

Mr. Deputy-Speaker: We will encroach upon the next group by half hour. The hon. Member may conclude as early as possible.

Shri Bansal: He has concluded.

Mr. Deputy-Speaker: But he sits down and gets up.

The Minister of Revenue and Civil Expenditure (Shri M. C. Shah): What is the decision, Sir?

Mr. Deputy-Speaker: I will call the hon. Minister at 3 P.M.

Shri Bansal: That will be too short. Let it be 3-15 P.M. so that he concludes by 4 P.M.

Mr. Deputy-Speaker: Then we will have an hour and a quarter for the next group. The hon. Minister will take about twenty minutes there.

Shri C. D. Deshmukh: I shall not take more than fifteen minutes.

Mr. Deputy-Speaker: One hour may be left to the hon. Members for the

[Mr. Deputy-Speaker]

debate on the next group. Therefore I will call then hon. Minister at 3-15 P.M. and he may conclude by 4 P.M.

Shri Sadhan Gupta: I shall, therefore, leave the rest of clause 197 and deal with another provision which I want to introduce, that is clause 200A by my amendment No. 606. Clause 205 deals with prevention of managment and promotion and formation by undesirable persons. As I said at the time of the State Bank Bill, I say even now that the worst kind of people and those who have to be prevented most from promoting and managing companies are the tax-evaders. I have therefore, sought to introduce by amendment No. 606 a new clause—clause 200A—which runs like this:

> "200A. Prohibition of management of company by tax-evaders:—(1) No person who has been found guilty by any court or tribunal of evading any tax payable by him shall take any part in the promotion, formation or management of any firm, company, or other body corporate.
>
> (2) Any person on being found guilty as aforesaid shall forthwith vacate any office that he may be holding which is concerned with promotion, formation or management of any firm or other body corporate.
>
> (3) In the case of a person who has been found guilty as aforesaid, before the commencement of this Act, the provisions of sub-section (2) shall apply as if he had been found guilty as aforesaid at the date of commencement of this Act.
>
> (4) This section shall apply notwithstanding any want of jurisdiction in the court or tribunal on account of any technical defect in its constitution or composition."

There is a great resentment against tax-evaders in this country and very rightly so. Their acts not only involve dishonesty but they throw the burden of taxation on the honest part of the population and it tells particularly hard on the poorer section of the population. Because these tax-evaders evade their portion of the tax, Government has to seek enhancement of revenues from sources which are honestly paying their taxes, and to impose a greater burden on them. In this way the honest section of the population, the poorer section of the population, is subjected to a heavier burden of taxation. Already our country is such that the burden of taxation has become unbearable, and if this section is taxed, the burden will become still more unbearable. Therefore, in the interest of the people as a whole as well as in the interest of business itself, it is desirable to bar these anti-social elements from managing, promoting or forming companies or in fact any firm or body corporate and they must be altogether hounded out of this, and a condition must be created where they are unable to earn anything by business. If they are allowed to continue in business, they will have more opportunity of indulging in their nefarious practices and more opportunity of depriving the Government of taxes. Therefore, I think there should be no ground or reason to oppose this amendment or not to accept this amendment, but still I have not much hope that it will be accepted. At the time when I proposed a similar provision in the State Bank Bill, the Deputy Finance Minister gave the most unconvincing explanation that it is very difficult to determine who is a tax-evader and who is not a tax-evader. I gave the same provision in connection with the State Bank Bill and yet he said that it is very difficult to determine who is and who is not a tax-evader. I have made it quite clear in my amendment in clause 200A that only that person is a tax-evader who has been found guilty by any court or tribunal.

Shri C. D. Deshmukh: Found guilty by whom?

Shri Sadhan Gupta: By any court or tribunal. I have also in the last sub-section put in a saving clause, which is that notwithstanding any technical defect in jurisdiction, the finding shall prevail. Obviously, I have the Income-tax Investigation Commission in mind. That Commission, as the Supreme Court held, did not have jurisdiction because of certain technical defects. The fact, however, is that they went into the details of the case of jurisdiction or no jurisdiction, they gave their hearing and came to a finding. Therefore, for the purpose of debarring persons from business, their finding can be safely relied on and proceeded with, and their finding is as valid as the finding of any court duly constituted. Therefore, I have taken pains to save the findings of the Income-tax Investigation Commission. I commend my amendment No. 606 for the acceptance of the House and hope that it will have a better chance than the amendment which I proposed on the State Bank Bill.

Shri Tulsidas: I have been listening to this debate and I would like to make the position clear with regard to certain points which have been raised. A number of points have been covered by my friend, Shri Somani, but I would like to mention that under clause 197, the overall remuneration is limited to 11 per cent. We have a clause in which managing agents are given a maximum percentage, that is, 10 per cent. and the managing director is given a maximum of 5 per cent. This clause was discussed in the Joint Committee and it was felt that perhaps there may be cases where people, who try and take advantage of appointing over and above the managing agents some other directors, might get some percentage of commission and therefore this overall commission of 11 per cent was fixed.

I would like the hon. Minister to let me know how my difficulty would be solved. I am not interested in big companies like the Tata Sons, I. C. I., Burmah Shell and so on in which Shri Asoka said he was interested. In fact, when big companies' affairs are seen in any practical form, the managerial remuneration comes to a much smaller figure and usually it is about 3 to 4 per cent, even in other countries. When smaller companies or industries come up, the percentage of remuneration goes up. When profits are not there, it will be 100 per cent. It will not be possible to find out what exactly should be the percentage. My point is that Government has the right of approval of the managing agents, and in approving the managing agents, I am sure that Government will take into account the size of the company, the type of industry, the people who are functioning in it, the services that are given and so on and a maximum of 10 per cent. is fixed. But the point that I have to make is what about small companies and what about new companies? How will they fare under this clause 197, where the overall remuneration is fixed at 11 per cent. I am not even worried about it; but I am worried about the minimum of Rs. 50,000 which has to include the remuneration of a technical director or other managing personnel. They are not interested in the commission in the form of percentage; they are interested only in their monthly remuneration.

Shri C. D. Deshmukh: If it is a company managed by a managing agent, then what happens?

Shri Tulsidas: As regards 11 per cent. I am not worried about it.

Shri C. D. Deshmukh: Let us imagine of a new company managed by a managing agent only?

Shri Tulsidas: For that Rs. 50,000 is provided: that is all right.

Shri C. D. Deshmukh: Then, how do they manage?

Shri Tulsidas: If there is greater profit, the managing agent gets a higher remuneration. But a man on a salary basis, how is he interested whether the profits are high or not. He is not going to get higher remuneration. If the profits are less why should he get less? He is interested only in his monthly remuneration. A technical director is interested only in his monthly pay or salary. If the terms of his contact entitles him to any commission, he may be governed by this clause.

I quite appreciate the difficulties of the Finance Minister. As my hon. friend Shri Somani pointed out, he has a fear that somebody who is associated or acquainted with the managing agent may be nominated. We have no objection to his safeguarding against it. But if there is a technical director or a person who is only interested in his rumuneration, why should this minimum of Rs. 50,000 be made applicable to him. This will cause great hardship to new companies and particularly companies which have no managing agents.

In the course of my speech at the consideration stage, I had enquired of the hon. Finance Minister whether the public corporations would be able to manage within this managerial, remuneration of Rs. 50,000. It is a well known fact that most of these public corporations are losing concerns. Reference was made the other day to the Russian technical expert who has come. He will not be a director. But in a private company he will be considered as a technical director and his remuneration will be brought within the overall remuneration of Rs. 50,000. Therefore, to this extent, the new companies in the private sector will be put to considerable hardship. I would now like the Finance Minister to let us know how the public corporations will fare under clause 197.

The Finance Minister referred to the State Bank of India, he also mentioned one or two other cases, where they found difficulties; that is why they want to take power of exemption. He has now brought forward an amendment that if companies experience difficulties, they may approach Government. Government will take into consideration all factors and decide whether exemption may be granted in such cases. I have tabled an amendment in this regard. By all means keep the overall remuneration at 11 per cent. You have got also the minimum of Rs. 50,000 in case of inadequate profits. If you are particular, have that safeguard with regard to managing agents, but I do not want the monthly salaries people to be roped in this Rs. 50,000 limit.

I do not want to go into the question of different companies in other parts of the world as Shri Asoka Mehta has attempted to do. Facts and figures about the working of these companies are published every quarter. The Economist gives figures of most of the concerns in England where they give an overall percentage of 3 to 4 per cent., while in the case of a number of industries it varies from 4 to 15 per cent. We have also examples in other countries where a Director alone gets $ 100,000 or £ 20,000 per year. There is no question of comparison, because the companies there are very big, while our companies in this country are not of such size. I, therefore, do not see any reason why such a comparison should have been brought against the argument of the Finance Minister.

The Finance Minister mentioned in his speech that the overall percentage will come down. He was perfectly right in saying so, because the previous figures which have been compiled include, commission on sales, etc. As soon as this Act comes into force the total profits and the total commission are bound to come to 8 per cent. if not lower. I fully agree with the Finance Minister that the figure will come down. The effect will be that there will be no such commissions of the type we have in Ahmedabad, commission on the basis of sales. So. I do not see why Shri Asoka Mehta thought it fit to bring this argument. It is all right as an argument, but I do not think it is correct.

Then there is another factor which I would like to bring to the notice of the Finance Minister. I would like him to tell us whether the interest paid for any moneys borrowed from the managing agents will be included in this or not?

Shri K. K. Basu: It is not remuneration.

Shri Tulsidas: It is remuneration. If it is regarded for services, I can understand. It is not remuneration in regard to services. Therefore, I have moved an amendment No. 199. Otherwise, even if a managing agent gives money to the company and if they have to pay interest, that will also come in. I would like an assurance that that would not be included in the meaning of clause 197—interest which is to be paid, even if they borrow from the banks. If they have to pay interest, that should not be included in the total remuneration. This point should be made clear. There is another point with regard to clause 199, which deals with tax-free payments. This makes it impossible for companies to employ suitable personnel, especially highly qualified technical personnel and foreign experts who insist on a certain net salary. No employee can be employed on tax-free salary. But there are many examples otherwise. Even the Government has no other alternative but to give to certain technical personnel certain tax-free salary. That is a discrimination made. A corporation cannot have an employee who can be paid tax-free. A private firm can do so; a partnership firm can employ an individual on a tax-free salary. The foreign concerns also can employ. The Bhabha Committee has accepted this proviso because it was intended and meant only for directors in England. No remuneration shall be paid to the directors tax-free there. But we have extended this to all employees. I do not think that this is proper because this will be a discrimination in favour of a number of other companies and other corporations. People should be allowed the freedom to employ specialists on a tax-free basis. I have moved amendments—Nos. 202, 203 and 204. I have moved that 'director' may be substituted for 'officer or employee'. It is according to the English Act. This Act is not applicable to partnership. I am just pointing out the anomaly. I hope the Finance Minister will take these things into consideration before coming to a decision.

Shri Bansal: When we are dealing with clause 197, we are dealing with a really very complicated piece of provision. The complication arises because unlike the Bhabha Committee the Bill lays down and covers not only managing agents but also directors, managing directors, managers, etc. The Bhabha Committee made straightaway a recommendation that as far as managing agents' remuneration is concerned it should not exceed 12·5 per cent. But when the Joint Committee was considering this provision they were doing so under an atmosphere of suspicion and shadow. Ghosts were appearing everywhere and they had to lay down a number of safeguards. It has been pointed out that if a certain limit is placed on the remuneration of managing agents, the managing agent may nominate his son as a director or manager. What happens then? He appoints his nephew as the managing director or manager; he nominates one of his other relations for such a post. By this process the managing agent circumvents this salutary provision of the law. Therefore, the Joint Committee decided to rope in all these possible categories of persons who are responsible for top management—the managing agent, the managing director, the director, manager, etc. In doing so a difficulty has arisen. While safeguarding that the managing agent by various devices and processes should not get more than 11 per cent., we have closed the doors at least for a large number of

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companies for the appointment of people with managerial capacities.

There is a confusion here. The confusion is as to what are the actual functions of the managing agent and the other tpyes of management? It has been said in the Joint Committee that by making this remuneration of 11 per cent. as the average remuneration, we were providing for a type of top management covering managing agents, managing directors, directors,

[PANDIT THAKUR DAS BHARGAVA *in the Chair*]

etc. I would humbly suggest that there is a distinction between the types of management that have to be looked after by the managing agent and the manager. It might be that in certain cases the type of managerial responsibilities was the same but there are a large number of cases where the functions of the managing agents and managers differ substantially.

My hon. friend, Shri Asoka Mehta, pointed out in a very naive manner certain things and said: "Let us take the managerial expenses of a Government enterprise." May I ask him what he will consider the managerial expenses for the Sindri Fertilizer Factory? Will he take only the salary of the managing director as the managerial expense or will he include the salaries of the Production Minister, the Secretary of that Ministry or at least a part of their salaries in the managerial expenses of Sindri Fertilizer Factory? It does not stop there. What is the responsibility of the managing director there? He is responsible for running the day-to-day affairs of the factory. He is not responsible for the conception of this factory. He was not responsible for the promotion of the factory nor is he responsible for finding out the finances for this factory. All these things are there already found out by the Government. He is not responsible for any of the losses; whatever may happen in that factory he is not responsible except in a very general way. Here, the managing agent is to promote the factory, find out the finances, solicit his friends to contribute, etc. It is his responsibility to look after and nourish the factory during the period of incubation till the factory goes into production and then further wait till the factory makes a profit.

I have some cases—come stray cases here. The Hindustan Motors Limited was formed in 1942 and till 1952-53 there were no profits and the managing agents had to forego their entire remuneration; they voluntarily forewent their minimum remuneration. The same is true of Hindustan General Electric which was formed in 1945. My information is that till today the managing agents have not drawn any remuneration. I have a list of about 20 companies—very well-known companies in the country. The confusion really is that we are equating the types of managerial responsibilities which the managing agent bears and the ordinary type of manager bears and so the Joint Committee were faced with a dilemma if they were not roped in within this clause 197. Otherwise, the loopholes were there.

Now that I listened to the speech of my friend, Shri Somani and Shri Tulsidas, I think there is a lot to commend in the amendment of Shri Somani and I hope the Finance Minister will give very serious consideration to it. If the overall limit of 11 per cent. is not exceeded, I do not see the reason why the amendment of Shri Somani is not acceptable.

There was another difficulty which was pointed out by my friend, Shri Gurupadaswamy with regard to the minimum remuneration. In the present companies, the minimum remuneration is provided by articles of association. Companies do not make profits until they go into production and begin to produce goods and market them properly. Till that period which may run into five years, and in some cases ten years, as I have just quoted, surely it is too much to expect that the managing agents should not get anything although I know, in a large number of cases, no good company charges managing agency commission unless there are profits. I know it as a fact, Sir. But, even so there are managing agents who have to charge and in the articles of association it is provided that a minimum remuneration should be paid to the managing agents in case there are no profits or there are not adequate profits. The same was suggested by the Bhabha Committee and the limit of minimum remuneration was kept at Rs. 50,000. My hon. friend Shri M. S. Gurupadaswamy asked as to how that minimum remuneration was computed. It is simply Rs. 50,000 and there is no question of any computation. As long as the company does not make Rs. 50,000 the managing agent has to be given Rs. 50,000 and when it exceeds that the percentage basis comes into the picture. Therefore, there iss no confusion as far as that particular point is concerned.

Shri C. C. Shah (Gohilwad—Sorath): It is "not exceeding Rs. 50,000" and not "Rs. 50,000".

Shri M. S. Gurupadaswamy: Suppose the profit is only Rs. 75,000 then the principle of 11 per cent. will apply....

Shri Bansal: It will apply according to the terms laid down in the articles of association. If in the articles it is laid down that Rs. 30,000 will be given as minimum remuneration the managing agent will get only Rs. 30,000. That will be governed by the articles of association. Sir, my time is running short and I just want to say that in case the Finance Minister does not accept the amendment which has been moved by my friend Shri G. D. Somani, then I support the amendment which has been moved by the Finance Minister himself and that is amendment No. 281.

An Hon. Member: Why so?

Shri K. K. Basu: In order of preference.

Shri Asoka Mehta: What about Shri Bogawat's amendment?

Shri Bansal: I strongly oppose Shri Bogawat's amendment. Then I have my own amendment.

Mr. Chairman: The hon. Member's time is up.

Shri Bansal: Please give me two minutes more. I hope you will allow me to speak on my own amendment.

Mr. Chairman: Order, order. The hon. Member has just now begun to talk on his own amendment.

Shri Bansal: I will take only two minutes. It is very small amendment and that is amendment number 593 to the Finance Minister's amendment No. 281. It only says:

> *after* "to any managing or whole-time" *insert* or "part-time."

I will tell you why it is necessary. Sub-clause (4) of clause 197 reads:

> "Notwithstanding anything contained in sub-sections (1) to (3), if in any financial year, a company has no profits or its profits are inadequate, the company may pay to any director or director including managing or whole-time directors, if any, its managing agent or secretaries and treasurers, if any, and its manager, if any or if there are two or more of them holding office in the company, to all of them together,...." etc. etc.

But the amendment of the Finance Minister does not include all these categories. Surely, when he tabled his amendment he wanted to include "any director or directors" and I think it is

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just an omission through an oversight that he has not included all these categories. My simple amendment is that all those categories should be included and that can be done by adding the word "part-time" after the words "to any managing or whole-time". If this amendment is not accepted then in place of the words which occur there all these categories should be added, namely, "director or directors including managing or whole-time managers". Even then my purpose would be served and I hope the Finance Minister will kindly accept my amendment.

Shri Mulchand Dube (Forrukhabad Distt.—North): This group of clauses that is being discussed should be discussed having regard to the scope and purpose of Company Law. The scope and purpose of Company Law is to determine and regulate the relations between shareholders and the management. We should, therefore, steer clear of all patterns whether socialistic or communistic. None of these notions or systems are at all consistent with the company legislation. When we form companies of a public or private nature they are entirely inconsistent with the socialistic pattern of society. Therefore, if we do want companies then the question of socialistic pattern of society should not be brought in. The point of view from which this piece of legislation has to be considered is as to whether it is in any way inconsistent with the intention of the Parliament to establish a socialistic pattern of society. This Parliament is committed to the establishment of a socialistic pattern of society. The question, therefore, is whether this legislation is in any way calculated to obstruct that aim in any way. The question is, whether this Parliament can or cannot, whenever it so chooses, repeal this Act and establish a socialistic pattern of society. My submission, therefore, is that the objections that have been raised on this score are entirely besides the point and totally irrelevant.

However, objections have been taken on the score that it does not provide for the abolition of the managing agency system or that it does not provide for the association of workers on the management. In regard to the first one, I would just read to you the definition of "managing agent". It is defined as follows:

> "Managing agent" means any individual, firm or body corporate entitled, subject to the provisions of this Act, to the management of the whole, or substantially the whole, of the affairs of the company, or by virtue of its memorandum or articles of association, and includes any individual, firm or body corporate occupying the position of a managing agent, by whatever name called;"

As far as I have been able to understand it means that a managing agent is a person other than a shareholder employed for the purpose of managing the affairs of a company and in every way organising it. Therefore, if there are any persons who have specialised themselves in organizing and managing companies or large undertakings, the question is whether the services of these persons should for ever be done away with. The question is whether the companies should for ever be prevented from employing persons who have specialised in this kind of business. My submission is, if we start doing it, we shall only be doing harm to the country and also to the industries that we wish to see prosper. Now it has been said that this system of managing agency should be abolished. My submission is that this system cannot be abolished... ...

Mr. Chairman: I am afraid the hon. Member is discussing as if we were on the general discussion stage. Now we are concerned only with the particular provisions under discussion.

Shri Mnlchand Dube: In clause 197 there is an overall remuneration provided for the managing agents also. There is an amendment moved by Shri Sinhasan Singh regarding the deletion of the entire clause. Therefore, I think it is not quite irrelevant, but if the Chair thinks......

3 P.M.

Mr. Chairman: It is quite relevant, but at this stage, when we are discussing particular provisions of the Bill, I would expect that those provisions only are discussed and not the general aspect of the whole question.

Shri Mulchand Dube: Then I will confine myself to the overall remuneration and the Government amendment with regard to the increase in the maximum rumuneration during the years in which the company has not been able to make adequate profits. In regard to the overall remuneration, my submission is that a ceiling has been fixed by clause 197, but even though the ceiling has been fixed, my submission still is that so long as a socialistic or communist pattern of society has not been established, the company which employs a managing agent or a managing director or a director has to pay the market price for the services it wants. The question, therefore, in every case will be whether the price that is being paid by the company is or is not the market price for the services that it wants. Therefore, in fixing the maximum remuneration also, it will be necessary to see whether having regard to the services that are sought to be utilised, the remuneration that is being fixed is or is not adequate. If, in the opinion of the Government, it appears that the managements are entitled to a minimum remuneration exceeding Rs. 50,000, I think there should be no difficulty in allowing it.

Another objection that has been raised in this connection is about the association of workers in the management. In regard to that too, my submission is that so long as the employers and the workers do not develop a state of mind in which they would be able to sacrifice their own interests to the interests of the society and of the country, this sort of arrangement in which the workers are associated with the management will not work, because there will be a conflict of interest and duty. The employers' interest would be to reduce the wages as much as possible whereas the interests of the workers would be to have their wages raised as much as possible. Therfore, in such a case, if the workers are brought on to the management, there will be constant tangle and the efficiency of the management will suffer. Therefore, my submission is that the bringing in of the workers on to the management would not be in the interests of the company and will not be in the interests of the efficient working of the undertaking at all. Therefore, I feel that the workers, if they are to be brought on the management, should be brought as shareholders and they should be given facilities to buy as many shares as possible. I entirely agree with the suggestion of Shri Bansal that whenever bonus is given, the workers should be persuaded to buy shares from the bonus that is allowed to them. That is all I have got to say.

श्री सिंहासन सिंह : भवन में सब व्याख्यान आंग्ल भाषा में ही हुए हैं, हिन्दी में कोई नहीं हुए। इस लिए मैं उचित समझता हूं कि इस सम्बन्ध में अपने विचार हिन्दी में ही प्रकट करूं ताकि हिन्दी की शृंखला न टूटे।

धारा १९७ में, जो कि एक नई धारा है, यह व्यवस्था की गई है कि अगर व्यवसायियों को लाभ न हो, तो उनको कम से कम ५०,००० रुपया दिया जाये। [illegible] एक सरकारी एमेंडमेंट रखी गई है, जिसके अनुसार उनको ५०,००० रुपए से भी अधिक रुपया दिया जा सकेगा। मैंने गाडगील साहब के व्याख्यान को सुना। मुझे कुछ आश्चर्य हुआ, लेकिन साथ ही उनके इस सुझाव से

[श्री सिंहासन सिंह]

मैं सहमत हूं कि अगर दफा १६७, २४७ और २५१ पर साथ साथ विचार होता, तो ज्यादा स्पष्टीकरण के साथ इस विषय पर विचार प्रकट होते। दफा १६७ में दिया गया है कि डायरेक्टर्ज इत्यादि को उनकी सेवाओं का मुआवजा अधिक से अधिक ग्यारह परसेंट दिया जाय। उसके साथ ही सब--क्लाज (३) में दिया हुआ है :

> "Nothing contained in sub-sections (1) and (2) shall be deemed—
>
> (a) to prohibit the payment of monthly remuneration to directors......" etc.

इसके बाद दफा २०८ में डायरेक्टर्ज को मन्थली सैलेरी देने का प्राविजन किया गया है। दफा २४८ में दिया हुआ है कि डायरेक्टर्ज का रीम्युनरेशन निकाल कर नेट प्राफिट निकाला जायेगा अर्थात् उनकी मन्थली सैलेरी का विचार नहीं रखा जायेगा।

> "In making the computation as aforesaid, the following will be deducted:
>
> Director's remuneration" etc.

और डायरेक्टर्ज का रीम्युनरेलन क्या होगा? इसके बारे में दफा २०८ में दिया हुआ है कि अगर एक से अधिक डायरेक्टर्ज हों, तो दस परसेंट तक हो सकता है। इस विषय में मेरे दिल में एक विचार उत्पन्न होता है--मुमकिन है कि मैं गलती पर हूं--और वह यह है कि उप-धारा (२) और (३) किसी डायरेक्टर की तन्खाह पर कोई प्रतिबन्ध नहीं लगातीं--कोई मनाही नहीं करतीं और डायरेक्टर्ज को जो रीम्युनरेशन मिलेगा, वह नेट प्राफिट में से निकाल दिया जायेगा, और डायरेक्टर को दस परसेंट तक मिल सकता है। तो ऐसे भी डायरेक्टर हो सकते हैं, जो दफा २०८ के मुताबिक दस परसेंट भी ले लें और मैनेजमेंट में अपने किसी आदमी के जरिये दफा १६७ का भी लाभ उठा लें। मेरा यह अन्देशा है कि इस तरह के प्रोविजन से झगड़ा पैदा हो सकता है।

इस के अलावा दूसरी विचारणीय बात यह है कि ग्यारह परसेंट हम देने जा रहे हैं। उस के बाद उप-धारा (४) के मुताबिक अगर कोई घाटा हो, अधिक लाभ न हो, इनएडीक्वेट प्राफिट हो, तो उस हालत में ५०,००० या उस से भी अधिक दिया जा सकता है। प्रश्न यह है कि इनएडीक्वेट प्राफिट कहां तक माना जायेगा? यह भी विचारणीय है। अगर किसी कम्पनी का दस लाख का सरमाया है और उस में एक लाख लाभ हुआ, तो वह भी इनएडीक्वेट प्राफिट कहा जा सकता है, क्योंकि ग्यारह परसेंट के अनुपात से डायरेक्टर्ज का रीम्युनरेशन ११,००० रुपए तक बनता है और फिर जब तक मुनाफा पांच लाख रुपए तक न पहुंचे, तब तक वह इनएडीक्वेट प्राफिट कहा जाएगा। इस तरह तो अगर एक कम्पनी मुनाफे पर भी चलती हो, तो वह भी इनएडीक्वेट प्राफिट पर चलती दिखाई जा सकती है। श्री तुलसीदास ने कहा कि छोटी कम्पनियों को दुस्तर होगा और बड़ी कम्पनियों को सुलभ होगा। छोटी छोटी कम्पनियों का दूर दूर के स्थानों से यहां आना दिक्कत--तलब हो सकता है, लेकिन बड़ी कम्पनियां, जिनमें वह भी शामिल होंगे, अपने केस को बड़ी अच्छी तरह रख सकती हैं।

मैं ने देखा है कि हम इस विधान में कदम कदम पर रोक लगा रहे हैं। यह विचारणीय है कि इससे हमारे व्यवसाय की प्रगति में उत्थान होगा या नहीं। अगर मुझे इस बिल का थोड़े शब्दों में नामकरण करना हो, तो मैं यह करूं: ब्यूरोक्रेटिक कन्ट्रोल्ड कैपिटलिज्म, अर्थात् नौकरशाही द्वारा संचालित पूंजीवाद। इसके संचालन में नौकरशाही का विशेष हाथ रहेगा।

अभी कंट्रोल का जमाना बीता है। यह भी हम देख चुके हैं कि कंट्रोल के जमाने में अधिक प्राफिट दिया जाता है। जिस समय कंट्रोल नहीं रहता तो व्यापारी कम से कम मुनाफा पर ज्यादा से ज्यादा बिक्री करके मुनाफा

उठाने का प्रयत्न करता है। अभी टाटा कम्पनी के बारे में बतलाया गया कि वे ५ पर सेंट से अधिक मुनाफा नहीं रखते हैं क्योंकि वे अधिक से अधिक बिक्री करते हैं। टाटा के साथ हमारी गवर्नमेंट की कुछ खास रियायत है क्योंकि जब से यह सरकार आयी है उनका रिटेंशन प्राइस कई दफा बढ़ाया गया है। उनका रिटेंशन प्राइस बढ़ता जा रहा है और उनके मुनाफे के अंक बढ़ते जा रहे हैं। वह चाहे ५ पर सेंट लें चाहे ४ पर सेंट लें यह सब उनकी मेहरबानी है। लेकिन इस बिल के पास होने के बाद ११ पर सेंट ले सकते हैं। आज वह चाहे कुछ लेते हों लेकिन इस बिल के पास हो जाने पर वे उसे बढ़ाकर ११ पर सेंट ले सकते हैं और ऐसा करने से शेअर होल्डर्स का फायदा कम हो जायेगा। अगर हम इस पर कंट्रोल करने जा रहे हैं तो मैं चाहता हूं कि सही माने में कंट्रोल हो। हमने अपने देश में कंट्रोल का जमाना देखा है और उसको देखते हुए हमको अन्देशा होता है कि मह कंट्रोल ठीक ढंग पर चलेगा या उसी ढंग पर चलेगा जैसा कि पहले कंट्रोल चला था। मैं यह मानता हूं कि कि सोशलिस्ट पैटर्न की सोसाइटी में कंट्रोल जरूरी है लेकिन जिस मैशिनरी से हमने भूतपूर्व कंट्रोल चलाया था उसका विचार कर के डर होता है कि यह कंट्रोल कैसे चलेगा। हमें डर होता है कि कहीं यह कंट्रोल व्यवसाय को बढ़ाने के स्थान पर उसे घाटे की ओर न ले जाये।

या तो सरकार पूंजीवाद को स्वतंत्रतापूर्वक फलने फूलने देती या इस तरह का कंट्रोल करती कि पूंजीपति समझते कि हमको भी अब जनता के साधारण स्तर पर आना है। लेकिन इस बिल में एक चीज है जिसका मैं समर्थन करता हूं। इसमें एक बात सरकार की तरफ से यह बहुत अच्छी आई है कि आमदनी की ऊपरी सीमा निश्चित की गई है। हमारे शर्मा जी का प्रस्ताव था कि ऊंची और नीची वेतन में उचित अनुपात हो। उस प्रस्ताव का सरकार ने विरोध किया था। लेकिन मुझे प्रसन्नता है कि कम से कम इस बिल में बड़े मालदार कम्पनी वालों के लिए एक सीमा निर्धारित कर दी गई है कि वे ११ पर सेंट से ज्यादा नहीं ले सकेंगे। मह हर्ष का विषय है और आशा है इस दिशा में सरकार आगे और भी कदम बढ़ायेगी। लेकिन सरकार ने इस ऊपरी सीमा के लिए संशोधन पेश किया है। मैं जानता हूं कि वह संशोधन अवश्य स्वीकार हो जायेगा। लेकिन मुझे अन्देशा है कि उसका बड़ा दुरुपयोग होगा। आपने इस बिल में ५० हजार तो कम से कम रखे हैं, आप इस संशोधन द्वारा उसको और भी ने जा रहे हैं। इसलिए मुझे इसके दुरुपयोग होने का अन्देशा है। जो कम्पनी वाले दौड़ मार सकेंगे वे ५० हजार से ज्यादा ले जायेंगे। अगर छोटी कम्पनियों का मुनाफा ४ लाख से कम होगा, चाहे उनका मूलधन ५ या १० लाख ही क्यों न हो, तो वह मुनाफा इनएडीक्वेट समझा जायेगा। वह कम्पनियां इस संशोधन के द्वारा ५० हजार से भी अधिक पा जायेंगी। आजतक तो हालत यह थी कि मैनेजिंग डाइरेक्टर, अगर मुनाफा होता था तो मुनाफा उठाता था और घाटा घाटा होता था तो घाटा सहता था। लेकिन आगे तो उसके लिए मुनाफा ही मुनाफा रह जायेगा। अब यह विचारणीय है कि इस संशोधन के स्वीकार होने के बाद वह ५० हजार से अधिक रुपया कहां से लावेगा। या तो वह कम्पनी के रिजर्व फंड को कम करेगा, या हिस्सेदारों को कम मुनाफा देगा या कम्पनी के मूलधन को ही खा जायेगा। तो इस तरह से मुनाफा करते करते सम्भव है कि छोटी कम्पनियों का सारा मूलधन ही समाप्त हो जाये। शेयर होल्डर जहां के तहां रहेंगे उनको कोई मुनाफा नहीं मिलेगा। इसलिए मेरे विचार में इस तरह की धारा तो व्यवसाय के हित में भी नहीं है। कारण कि जो शेयर होल्डर होंगे उनको कोई मुनाफा नहीं मिलेगा और इस कारण वे व्यवसाय में अपना रुपया नहीं लगायेंगे। वे कहेंगे कि मैनेजिंग एजेंट का तो ५० हजार निश्चित है, हमें क्या मिलेगा। मुमकिन है कि दस साल में कम्पनी का कुल मूलधन ही समाप्त हो जाये।

[श्री सिंहासन सिंह]

ऐसी दशा में कम्पनी की बढ़ती होने के बजाय उनके बढ़ाव में घाटा ही होगा।

अभी एक माननीय सदस्य ने कहा था कि यह सुविधा आने वाली कम्पनियों को दी जाये। मगर इस बिल में आने वाली कम्पनियों और पुरानी कम्पनियों का कोई जिक्र नहीं है। इस में यह नहीं दिया गया है कि यह सुविधा नई कम्पनियों को दी जाय ताकि उनको उत्साह मिले। इसमें तो पुरानी और नई कम्पनियों सब के लिए एक ही नियम है। अभी तक यह होता था कि अगर कम्पनी को दो लाख का मुनाफा होता था तो मैनेजिंग एजेंट उस में से अपना कुछ मुनाफा लेता था। मगर अब तो वे अपना मुनाफा कम दिखायेंगे और जो मुनाफा इस बिल में निश्चित किया गया है उसको लेने की चेष्टा करेंगे। आपने इस बिल में ऐसे लोगों को एक छिद्र या लूपहोल दे दिया है। जो मुनाफा करते हैं वे भी मुनाफे को कम दिखाकर आपके पास पहुंच सकते हैं। मेरे ख्याल में ऐसा छिद्र देना उचित नहीं है। गवर्नमेंट को इस प्रकार का छिद्र नहीं देना चाहिए। आखिर गवर्नमेंट में भी तो इन्सान ही काम करते हैं, उनकी कुछ कमजोरियां हैं और कुछ मजबूतियां हैं। मैं चाहता हूं कि इस पर विचार किया जाये कि इसका कैसे सदुपयोग हो सकता है।

इन शब्दों के साथ मैं इस धारा की उप-धारा ४ का विरोध करता हूं। आपने ऊपरी सीमा निश्चित की यह ठीक किया लेकिन नीचे की सीमा निर्धारित करने की कोई आवश्यकता नहीं थी। भोगावत साहब का जो संशोधन है उससे मैं बहुत सहमत हूं। इस कानून के अनुसार तो जो जितना अधिक धनी होगा उस को उतना ही अधिक मिलेगा। भोगावत साहब का कहना है कि उनका भी मुनाफा सीमित होना चाहिए। यह बुद्धिवाद की चीज कानून को देखने से तो ऐसा मालूम होता है कि उनकी आमदनी कम की जा रही है लेकिन इसके अनुसार बड़े मैनेजिंग एजेंट दो करोड़ भी पा सकते हैं, दस करोड़ भी पा सकते हैं और दस अरब भी पा सकते हैं। यह बात बुद्धि के विरुद्ध मालूम होती है। इन शब्दों के साथ मैं सरकार से निवेदन करना चाहता हूं कि यह दफा तो वैसे ही काफी खराब है। अगर इसमें यह संशोधन किया गया तो यह और भी बिगड़ जायेगी।

दूसरे मुझे एक बात और देखकर दुःख होता है। यह बिल बहुत समय तक प्रवर समिति के विचाराधीन रहा है और उसके बाद हमारे सामने आया है लेकिन हम देखते हैं कि गवर्नमेंट की तरफ से हर धारा पर कुछ न कुछ संशोधन आ रहे हैं। इसका यह अर्थ हुआ कि प्रवर समिति का इस पर विचार करना व्यर्थ ही हुआ और हम नये सिरे से हर दफा पर विचार कर रहे हैं। यह कोई बड़े हर्ष की बात नहीं है कि हर धारा में गलती निकाली जा रही है और हर धारा में संशोधन किया जा रहा है। इसका अर्थ यह हुआ कि जो कुछ काम प्रवर समिति ने किया है उस पर पानी फेरा जा रहा है। और इससे यह मालूम होता है कि हम अपना काम गौर के साथ नहीं करते। मुझे डर है कि अगर हमने इसी प्रकार काम किया तो कहीं हमको कुछ ही समय बाद इसके लिए एक अमेंडिंग बिल न लाना पड़े।

श्री बंसल : आयेगा।

श्री सिंहासन सिंह : लीजिए उसका तो नोटिस भी मिल गया।

Shri C. D. Deshmukh: When I moved my amendment, I did not expect that the main debate in regard to remuneration would take place on this occasion. This clause 197 was a sort of after-thought on the part of the Joint Committee and it occured to them that if there was a limit of 10 per cent. on the commission of managing agents, then perhaps there ought

to be an overall limit for all forms of top management; that was why they added just 1 per cent. more and put 11 per cent. Therefore, I think that whatever criticism one has to make in regard to the percentage of remuneration should have been concentrated on the managing agents' commission of 10 per cent. Now that takes us to clauses 347, 351, 352 and so on. Therefore, the suggestion made by Shri Gadgil appeals to me. It is good that discussion has taken place, because it has to take place sometime or other and maybe we shall save some time from the time allotted for those clauses of the Bill. Nevertheless I think it is right that we should not take a decision today and therefore I am supporting the suggestion made by Shri Gadgil that after discussing this we should lay it by and come back to it after we have finished discussion on clauses 347, 351, 352 and 353, if that is acceptable to the House.

Mr. Chairman: Is the hon. Minister talking of amendments in respect of clause 197?

Shri C. D. Deshmukh: Yes; I am talking of clause 197 dealing with remuneration. I say that this may be postponed.

Next, I come to the accuracy of figures, which was raised by the hon. Member opposite. There is an error in what I said. I said that this percentage of 27 occurs in the *Reserve Bank Bulletin*. There was a statement that I had distributed. The Bulletin was not before me. Nor was it necessary to distribute it. If hon. Members will refer to the statement that I had circulated,—Financial particulars relating to managing agencies that managed 17,020 companies in India in 1951-52—against serial No. 8. I have given the figure, profit earned, Rs. 38 crores. That, as far as I can make out from the figures which were collected specifically for the Joint Committee, corresponds more or less to what our net profits would be as defined under this Act, although I have not been able to analyse the figures in detail, because, they are answers to a questionnaire posed to a large number of companies and unless one analyses the actual figures, one cannot be sure. But, it seems to me that this figure represents what we would now regard as net profits under the Act. Then, against serial No. 10 are given 3 figures: office allowances Rs. 3 crores, commission on net profits Rs. 6·7 crores and commission on sales Rs. ·7 crores. That makes a total of Rs. 10·4 crores. If hon. Members will do a little arithmetical exercise in their heads, and divide 10·4 by 38, probably they will get the figure of 27. Somehow, I got confused between this figure and the figure in the *Reserve Bank Bulletin*. Obviously, as hon. Members have pointed out, the figure in the *Reserve Bank Bulletin* is here for all to see. It is not only given in the body in para 6 as Shri Morarka pointed out, but also in the foot-note. Though it has gone to 15 per cent. in 1952 as Shri Morarka pointed out, it was 20 or something in certain industries. I dare affirm that the main point that I made still stands. That is to say, if this figure of 27 per cent. is correct, it may be 16 to 20 per cent: this is actually paid.

Shri Asoka Mehta: Average for all the companies actually paid is 14.

Shri C. D. Deshmukh: It was 16 in 1952.

Shri Asoka Mehta: 14 is the average for 3 years.

Shri C. D. Deshmukh: I am not saying average for 3 years. I have given all the figures. There cannot be any dispute about the actual figures. They are before the hon. Members. It was as high as 16 in 1952 and 20 in certain industries. On an average, for 17,020 companies in 1951 it was 27. Therefore, I am asserting that the point that I made still stands although I am guilty of

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a minor error of inaccuracy in referring to the *Reserve Bank Bulletin* instead of the statement which I circulated to hon. Members.

Shri Bogawat: In calculating the percentage will that be correct? Take item 10. The total profit will be Rs. 48:4 crores. That is the method. Out of that, we give remuneration and commission.

Shri C. D. Deshmukh: It is not clear whether this profit includes managing agency remuneration or not. I cannot say. It is possible and the hon. Member may choose to calculate that way which may come to 24 per cent.

Shri Bogawat: That is what I said.

Shri C. D. Deshmukh: What I say is, whether it is 27 or 22 or 16, or taking the average 14, a comparable figure, that is the average of actual payments made would, in my judgment, be: about 8 per cent. Therefore, this point is substantially correct that we have made a pronounced reduction in the remuneration payable to managing agents. That is as regards facts and figures.

Shri C. C. Shah: On a point of information, the Reserve Bank figures are for 1950-1951 and 1952. After deducting the managing agents' remuneration, the total for 3 years, net profits, would come to Rs. 201 crores, which means, on an average Rs. 67 crores for one year. That is for 746 companies. I am afraid, in Rs. 38 crores for 1720 companies as against Rs. 67 crores for 746 companies, probably there seems to be an error.

Shri K. K. Basu: You are always insisting that in most cases it would come to 8 per cent. On what basis are you coming to this calculation?

Shri C. D. Deshmukh: I say, if 10 is the ceiling, certain companies will not go up to the ceiling. We know that certain companies pay only 7½ per cent. Others may pay 5 per cent. The actual average cannot be 10. It must be something lower than 10. It is anybody's guess as to what it can be.

Shri K. K. Basu: If the Reserve Bank figures are correct, only in the case of iron and steel, it is less than 10 per cent. In the rest of the industries, woollen, silk, cotton textiles, etc., if you take the bulk of the industries, it may go up. In iron and steel, there may be 2 or 3 factories; in cement, it may be a handful. If you deduct the proportion of the factories that would have a remuneration of less than 10 per cent., you cannot assert that way. If it is the total, it is possible. Tatas, as you said, has a capital-at-charge which is more than that of many cotton mills taken together. Taking the overall position, the number of concerns which have a managing agency remuneration of more than 10 per cent. will be higher, if these figures are correct.

Shri C. D. Deshmukh: This does not depend on the number of companies. It depends on the capital. You may have a larger number of small companies getting more than 10 per cent. Big companies like the Tatas take 7½ per cent. or 5 per cent. I cannot reconcile this.

Mr. Chairman: If the capital is more, the percentage of profits being equal, the profits will obviously be more.

Shri C. D. Deshmukh: It is quite possible that some very big companies are included in the statement which was prepared for the Joint Committee. They are not included in the *Reserve Bank Bulletin*. The *Reserve Bank Bulletin* says in the beginning that the coverage is not a complete one. Somewhere they say in the first para that they have accounted for a total paid up capital of 343 which is about two-thirds of

530 public limited companies in the sectors covered. Which of these are excluded, I cannot say. Therefore, I am not in a position to answer the poser put forward by the hon. Member behind. I am only concerned with my calculation of percentage.

Next, I am asking the House to accept the general argument that there is a significant reduction in the scale of remuneration payable to a managing agent, not even considering what we have done in regard to office expenses or in regard to restrictions on paying selling agents commission and various other things. If all that is taken into account, I still maintain that what we are bringing about is a significant reduction in the remuneration on payable to managing agents.

I should like to finish some more facts before I go to the arguments. Some reference was made to the commission payable to the companies in the U. K. Imperial Chemical Industries: profits before tax, £40 million, directors' remuneration as a percentage of profits before tax is 1 per cent. One per cent. of £40 million can be a substantial figure. Unilevers: profits before tax £35 million; directors' remuneration comes to ·60 per cent. Imperial Tobacco: I have got figures for 1951 and 1952. I am taking the figure for 1951 in both the cases just for illustration. Imperial Tobacco: profits before tax £23.73 million, and the percentage is 1·22. Courtaulds: profits before tax £19·20 million and directors' remuneration as persentage of profits before tax is 0·83. Then, take Triplex Safety Glass —you come to the smaller companies —profits before tax: £274,000 and the directors' remuneration as percentage is 12·04. Reeves: profits before tax £154,000—the percentage is 14:29. For another company with a similar order of profits, the percentage is 12·99. There is Clyde Paper, for which £134,000 is the profit. The percentage of remuneration is 18·66. So, you get all kinds of figures, and that, I think, illustrates the difficulty of trying to deal too meticulously with this problem. There are two ways of dealing with it. One is on a purely doctrinaire plane.

Shri T. S. A. Chettiar (Tiruppur): May I ask a question? Does this difference in percentage differ from industry to industry, or is it purely dependant upon the bigness or smallness of the capital of the company?

Shri C. D. Deshmukh: I should imagine that it is because of the size of the capital, because in the lower column I have got all kinds of things —Triplex Safety Glass, Reeves, Allen and Hansbury, Platers and Stampers, Huntley and Palmers etc.,—all kinds of industries.

I was saying one can deal with these matters from various angles, as I said from the doctrinaire point of view or from the point of view which was put forward by Shri Gurupadaswamy or the point of view which is in the minds of other people. What kind of reduction are we making? In regard to the first, that is to say doctrinaire grounds, again I find myself unable to speak the same language as hon. Members opposite when they say Rs. 20,000 is now enough for anybody, Rs. 30,000 is enough for everybody for a year, and 6 per cent. is ample and so on and so forth. I think the exhibit a complete indifference to what is happening in the business world. Now, from that they will go on to say: "We do not care very much what happens in the business world", because that is also their point of view. They are not for evolution, but for revolution. In other words, they hate all this business which is the world of private capital and business and so on, and they do not really care what happens to it, and anything that hastens its violent destruction is welcome to them. I see that they are careful on these occasions to forget what is paid to top managing directors in countries like U.S.S.R. or any countries in Eastern Europe which have a similar form of Government, as Poland, Hungary and so on. I

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have not got the figures at hand, but I remember to have read—and it will be for them to conduct a research in these matters—that Russian managing directors who were employed at one time in Hungary and Poland and so on drew salaries of 10,000, 12,000 and 15,000 roubles per month.

Shri K. K. Basu: But you are mistaken on one point. Even today in the Soviet Union a technician or a manager may get 6,000 or 8,000 roubles, but the minimum that a worker gets is 1,000 roubles. It depends on the proportion.

Shri C. D. Deshmukh: I am aware that the wages of the labourers are perhaps 800 to 1,000 roubles.

Shri K. K. Basu: Under the Constitution, a Supreme Court Judge gets only Rs. 4,000 and a High Court Judge Rs. 3,500 whereas in a company a private individual gets Rs. 6,000 or Rs. 7,000. There must be some understanding.

Shri C. D. Deshmukh: What I am saying is that after everything has been said 15,000 roubles is 15,000 roubles. And secondly, hon. Members were also careful enough not to make any mention of what lawyers and doctors in the top classes are able to draw. It was suggested that we should not make a law for managing directors and managing agents; what would they do if they are prohibited from earning this money, they cannot go anywhere else. I should say the same thing would hold of doctors and lawyers. After all, we are among the disadvantageous class, we Ministers.

Shri K. K. Basu: Not at all.

Shri C. D. Deshmukh: I manage a national economy which runs into Rs. 2,000 crores, shall we say, including capital expenditure and various other things and State Government budgets and loans and so on. Now, the percentage of my pay on what I manage is an infinitely small one.

Mr. Chairman: Let us take the entire management.

Shri C. D. Deshmukh: I am one of the co-managers. Even so, I think we should make a very good showing.

And here incidentally, I might answer the question in regard to Sindri. We have that advantage in the public sector. In Sindri I think it will come to less than one per cent., as far as I can see. The profits of Sindri are going to be about Rs. 1 crore. I understand, and the expenditure is say about Rs. 60,000 or Rs. 70,000 or about Rs. 1 lakh. I think including allowances and so on, it probably comes to about Rs. 1 lakh. Therefore, it is undoubtedly true that if you had some kind of uniform system, we can do something with this, but I say that it is not only by company law that we shall be able to regulate earnings in the private world, that is to say in the private sector. It may be for some reformer or some Government with some reforming zeal to attack this question. We in the public sector have a great deal of sympathy for it, not because we are underpaid, but because......

Shri K. K. Basu: Are you sure?

Shri C. D. Deshmukh: ....We are not able to draw the talent that is drawn by the higher glittering reward in private employment. We are nibbling at that particular problem. There is a provision in the Banking Companies Act where the remuneration of the managing director is subject to the approval of the Reserve Bank, although it has been construed in a particular way, that is to say it has only to compare with other such remunerations in the banking world which themselves are a bit high now. We may go another step in view of the observations made by Justice Gajendragadkar. We might do something there. Similarly here also this is our first attempt, so to speak, to indicate our inclinations rather than to make an attempt to arrange everything for the shareholder. And that would be my principal answer to hon. Members who say that we should have a sliding scale and so on. We are not arranging matters for the shareholders, but we are indicating certain broad limits.

The second point I would like to make is that these limits are only ceilings, and the shareholder may be trusted—and if the shareholder is not trusted, then the shareholders' association may be trusted—not to allow these ceilings to increase merely because we have put the ceiling, because the ceilings are lower than what they are under the present Act. The present Act allows of many ways by which remuneration can be increased. That is obvious because they are getting 16, 20 and 27 per cent, if these figures are correct. Therefore, the point I make is this. In mining—I do not know, I cannot vouch for the correctness of these figures—you are supposed to get 1·2 per cent. only. I do not see any reason why the existence of clauses 197, 347 and 351 should influence the shareholders to go berserk so to speak, and suddenly increase 1·2 to 10 per cent. Because, when there is no limit of 10 per cent. and when, shall we say, the average is 15 per cent. they are content with 1·2. What logical inference should we draw? When 14 is reduced—without entering into the controversy whether it is 10 or 8—why should the shareholders of the mining company suddenly feel impelled to raise 1:2, which would be a larger percentage on 10 than on 14? If they are satisfied with 1:2 on 14, surely they will be satisfied with 1·2 on 10. And the same answer obtains in regard to the processing industry, cement etc. My answer is these things will remain where they are. If they are in excess anywhere of 10 per cent., then they must toe the line and come within the 10 per cent.

Now, the other provision is in regard to that Rs. 50.000. Fifty thousand also is a maximum for a minimum. In other words, there is a provision that in case the application of these percentages to the current profit does not yield a figure which is the minimum figure which the managing director or the management have in mind, then they say: "Well, this minimum should be paid to us", and all that we say is: "Yes, you can have an agreement of this kind, but that minimum must not exceed Rs. 50,000 in a year in which otherwise it will yield something less than Rs. 50,000 or there is no loss." Of course in the latter case you cannot apply any percentage, because any percentage on zero would yield only zero. Therefore, it is in those circumstances that the minimum applies. As regards the fear expressed by the last speaker that merely beacuse we have this clause, we will have a riot of bureaucratic wrong decisicns, and everyone will be encouraged to raise the remuneration paid to managing directors, I say that that is fallacious reasoning; it will do nothing of that kind. The reason why we are suggesting this amendment is that we know, or we have been told, after the Joint Committtee had presented....

Shri Sinhasan Singh: Have you fixed any minimum which will be deemed to be an inadequate profit, because the word 'inadequate' is so vague?

Shri C. D. Deshmukh: The hon. Member has not followed me. I say, that supposing you have a minimum of Rs. 20,000, or you have a minimum in mind, then the profit is inadequate, when multiplied by ten per cent. or whatever percentage agreed that minimum is not yielded. In other words, if I have Rs. 20,000 in mind, and if I find that by applying the percentage, shall we say ten per cent., to the net profit, it is less than Rs. 20,000, then my stipulation to the company is that I shall be paid Rs. 20,000. And the law says, we will agree that you shall get that Rs. 20,000 so long as it is Rs. 20,000 and not a sum over Rs. 50,000.

Now, the object of the amendment is to deal only with monthly payments. It is not concerned with managing agency payments, because

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managing agents have been content with their Rs. 50,000 even under the present Act, as a minimum, in a year in which there are inadequate profits or there is a loss or there are no profits; they have been receiving Rs. 50,000 and they are content because they know that in another year, the application of a percentage might give them much more than that Rs. 50,000. Therefore, they can make up in a good year what they have lost in a bad year, and they can wait. But that is not the case with salaried employees.

Take the case of a company where there are no managing agents at all. Take a company where there are two managing directors, each on Rs. 4,200 or Rs. 4,400 a month, a big company with a capital of Rs. 1 crore or Rs. 2 crores and so on. All we are saying is that the moment we come across such a company, and it is represented to us 'that the fixed salary of these two managing directors amounts to more than Rs. 50,000, what shall we do in a year in which fortuitously there is a loss, or what shall we do in a series of years in which there will be no profits, as for instance, in a new company. It is only to deal with any such cases—and not with existing remunerations—and to permit existing *bona fide* salaried payments, *i.e.* monthly payments, to continue on their merits that we are taking these powers. Therefore it cannot have any effect on shareholders who do not wish to give more than Rs. 50,000 at all. Why should they come to us? They are expected to decide these things for themselves. The minima are usually either matters of contracts which are not made today—they were made perhaps some years ago—or they may be matters of managing agency agreement. Those people will not come to us. In any case, there is no intention to allow this particular clause or the power to exempt so to operate as to increase the remuneration paid to managing agents, which shall continue to be Rs. 50,000 in the circumstances mentioned.

A case has been put to me that there may be a managing agent, and there may be a manager on salary. In that case, I would ask the managing agent, who is in charge of this company, is it the manager who is in charge;—because he must satisfy the definition of 'manager' as given here —*i.e.* in substantial charge of the affairs of the company. Either he is or he is not, in which case, clause 197 does not apply to this salary at all; you may call him a manager, you may call him a technical expert, or you may call him a chief engineer as in the steel works, but clause 197 will not apply to him. Clause 197 is not intended to govern the salaries of all officials. It is only concerned with management expenses. And we say that unless it is shown that this is the top management which is in charge substantively of the affairs of the company, we shall not consider any case. I am not aware whether there is any such case where there are managing agents who will draw that Rs. 50,000, plus a manager on a salary. In that case I would say to the managing agent, if you claim that this manager also partakes of the character of top management, then all you are entitled to is Rs. 50,000, and no exception will be made in your case, because otherwise we shall be doing by the backdoor what is prohibited by clause 347 or clause 351 or clause 352. That is the conception which we have.

Then, certain hon. Members have said that we ought to lay down the principles on which we are going to act. Now, that is very difficult because all we have been told of is hard cases. Unless we examine those hard cases on merits and give our decisions, it will not be possible for us to deduce any principles. It is only after we build a body of case laws that we shall be able to say that this exemption will be given in certain companies, in certain interests or certain national interests, as for instance, new, companies which are coming to start new industries here, or existing companies which have otherwise served the country well, or whatever it may be; it will be only then that we shall be able to reduce a body of principles. And I cannot see any way out of trusting Government in so far as the administration of the company law is concerned.

Shri K. K. Basu: Let us take the example which you have just given. If the managing agent is there, and there is also a manager, is it the statement made by the managing angecy only which will be taken into consideration, or will Government also look into the matter and see exactly what is the state of affairs in that particular company?

Shri C. D. Deshmukh: That is right. If I find that that manager is really part of the managing agent, then this is the very contingency that we wish to avoid. It is this very circumvention that we want to avoid, both in regard to the Rs. 50,000 and in regard to the ten or eleven per cent.—there is not very much difference between the two. We do not wish a situation to develop where a managing agent would draw all his commission, and in addition he would have somebody who is either an associate or a relative or a friend and I cannot accept the amendment in this sense because it narrows down the area of possible circumvention; they may be ingenious enough to find other ways of circumventing this. So, I say that in that case, it should apply to the whole of the management, and whatever it is, ten per cent. or Rs. 50,000 will apply to them. In other words, on the merits, we will first try to define firstly, what is the top management of this company, secondly what is the minimum that is being paid to them, and thirdly, if that minimum is over Rs. 50,000, are there any good reasons for agreeing to that—and we will not agree if it is a purely managing agency, that is to say, if I find that the manager is part of the managing agency.

The House will remember that what I had in mind was managing agency houses which are body corporates......

Shri Sinhasan Singh: Your intention may be one thing, but the words in the clause are different. The law courts will interpret only the words and not your good intentions.

Shri C. D. Deshmukh: That is a very wise saying, but then the hon. Member should give notice of an amendment. In that case, the hon. Member should suggest how the wording should be improved. It certainly is a platitude to say that if the wording of the law does not conform to intentions, then the law courts will go by the body of the law. This is not a discovery. But at this stage, what do we do? We have to deal with actual amendments. And since we are deferring decision on clause 197, it is still open to the hon. Member to exercise his own ingenuity in the matter and tell us how this particular thing can be improved. There is plenty of time.

Now, I shall give you a few cases. Take the case of Tatas—I do not like to mention names very much, but then Tatas' name has been mentioned several times. Tata Industries Limited is a private company. The paid up capital is Rs. 2·25 crores. It is a managing agency. The number of directors is 11 and the remuneration that they pay to their 11 directors is about Rs. 8,15,000. Their net profits for the year were Rs. 7,81,000, the net profits being from companies which they managed. Supposing it were to happen that the companies which they managed all suffered a loss—very improvable—but assuming for the sake of illustration that they were only to get say, Rs. 7,000 or Rs. 6,000 whereas they have been now distributing Rs. 8,000, what is the procedure? Apart from any socialistic theories that we may have, if we say, by and large, the directors of Tatas are doing well by the country, they certainly draw a big pay but then they are paying a very high income-tax and the net pay is not very much more than that of somebody else who draws, say, Rs. 5,000 or Rs. 6,000, in that case we may say, 'Well, you may be allowed to draw on your reserves of the managing

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agency firm in order to be able to continue the payment of monthly salaries to your directors at the stipulated rate". I for one cannot see what is wrong with this. In a case like this, where we are concerned with the managing agents themselves, I say that we should permit that managing agency company, although their own profits are inadequate, in the sense in which that word is used both in the old Act and in the new Bill—it is not a new word; one is 'inadequacy' and the other is 'inadequate'; there is only a slight difference—to draw the balance out of their reserves. I do not see any reason why we should not allow Tatas to do so and tell them: 'All right: Since you have stipulated to pay so much per director to your 11 directors—I do not know how many companies they are managing; the number may be 13 or 14—we will allow you to draw on your reserves, if you have reserves out of which you can pay.' If they have no reserves, then there is nothing out of which they can pay. We do not allow them to draw more from the managed companies because that is strictly limited, and in such a year that may be Rs. 50,000 from some company, might be Rs. 15,000 or Rs. 7,000 from some other company. But this is one situation which we wanted to deal with.

A point was made that so far as new companies were concerned, there would be innumerable cases that would come to Government. I am not quite sure about this because Rs. 50,000 ought to be sufficient for a very large number of companies. Suppose you have a company with Rs. 20 lakhs capital and suppose the profit at 10 per cent. is Rs. 2 lakhs—this is a reasonable assumption—then the managing agency commission at 10 per cent.—correct me if I am wrong—will be Rs. 20,000.

Shri Bansal: What about depreciation and tax?

Shri C. D. Deshmukh: I am assuming the net profit as defined; I am taking a simplified instance.

Again you find from this that on a paid up capital of Rs. 2:5 crores the net profit is Rs. 38 lakhs and out of it if you deduct depreciation etc. you may come to the figure of 10 or 12 per cent. As I say, where there is a company with Rs. 20 lakhs capital, you will have a net profit of Rs. 2 lakhs. So we say it is not an unreasonable assumption to make, and you get Rs. 20,000. So that there is no question of exceeding the Rs. 50,000.

Then take another case—of Rs. 50 lakhs. You will probably have Rs. 5 lakhs there. In that case, you will have Rs. 50,000. In other words, you will require a company with a capital of Rs. 50 lakhs before you come anywhere with the range of the mischief of this particular restriction in clause 197. I do not know how many companies, out of 30,000, have a capital of more than Rs. 50 lakhs. I asked for some figures of companies with capital over Rs. 1 crore. I have been given a small list here; that is not exhaustive. My expert advisors in a hurry were able to give me a list of about 11 companies. May be there are about 50 or 100 companies in which perhaps the capital would be of this order where they would have something to do with this clause. These are existing companies. So far as new companies are concerned, may be that in a year you may have two or three of such big companies, and in that case I do not think it will be very difficult to deal with them; nor do I think there is any danger, whoever is in charge, of being carried away by these tales of woe. After all, what are we trying to prevent? We are only trying to prevent—Shri G. D. Somani complained about that—circumvention of these limits. We are not trying precisely how to work out a design or pattern of remuneration for the shareholders because as the Bhabha Committee has said wisely—it was suggested to them; it is not a new idea. I mean the idea which is embodied in Shri Bogwat's amendment; it was an idea which was submitted to the Committee, and they considered it—that in practice it would prove to be complicated. I agree with them and would add this further reason, that we are not trying to do everything for the shareholders. It is true that we are going much farther than the old law did in order to protect their interests. Nevertheless, we are not managing those public companies or the other companies which we want to regulate by this Act. We are still trying to regulate, and in our opinion it is sufficient if we have these broad limits which will be an indication, as Shri G. D. Somani said, of our intention. He is quite right when he said that he will be very much surprised if any managing agent had the temerity to come to us without really a cast-iron case and induce us to get on any flimsy ground this particular minimum or this outside limit raised in his favour. I can assure the House—and it does not really need any great assurance not only on my part but on the part of anyone who is here, who is liable to be called upon to explain his conduct by Parliament—that there is no fear which need be entertained that weak cases will get by. We shall, I think, attain the object of only relaxing it in favour of companies in the case of which on merits, almost everyone will agree with me, we should relax. That is, briefly, our case, in regard to this provision.

There were certain other points that were raised in regard to statistics and so on, but in view of the arguments that I have taken, it is really a matter of no great moment. For instance, I heard that Shri Asoka Mehta did not like the remark that he did not quite know what the commissions in the USA or UK or Canada were. He said he had the full facts before him. I cannot claim that I have full facts.

Shri Asoka Mehta: I never said that. I never claimed that I had the full facts.

Shri C. D. Deshmukh: I am sorry. Somebody told me. He has a certain amount of facts.

Shri S. S. More (Sholapur): Was it Shri M. C. Shah?

An Hon. Member: Badly briefed.

Shri Asoka Mehta: He does not care to read my speech.

Shri C. D. Deshmukh: I do care, but I have not got the time. I had points from the speech, but some one just told me so. Anyway, the hon. Member does not join issue with me. I made the statement the other day that it is not true that that it is all at one per cent. or half per cent. or ·2 per cent. There are cases where it is 12 per cent., 16 per cent. or 15 per cent. But these analogies do not carry you very far. They just give you an idea of the order of the problem, so to speak. It is not 30 per cent. or ·5 per cent; it is something between 8 and 15 per cent.—10 per cent., judging from the figures that I read. But after consideration of all that, one must decide one's own affairs, with reference to one's own circumstances. That is why I have concentrated more on dealing with the circumstances in our country rather than on giving too many figures in regard to other countries.

There was some small point about expenses which I dealt with incidentally. As far as I can make out, this won't touch the question of expenses; neither is there any amendment to the effect that clause 197 should put a limit of 11 per cent. on remuneration plus expenses: nor does clause 347, 351 or 352 do any such thing. 'Expenses' seems to be a very innocuous provision and a just provision that the board of directors might repay or reimburse to the managing agents what they prove to have spent on behalf of the company. Now, everything can be misused if the board of directors can be misled by the managing agents. In that case, there are the auditors, there are the shareholders and so on and so forth. So I do not think that that is a very important point.

There was another point raised by Shri Tulsidas. He feared that interest would be included in clause 197 or in both clauses 197 and 347, because

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the words are 'monthly remuneration' in clause 197 although in clause 347 the words are 'in respect of services rendered as managing agent or in any other capacity'. It may be that the hon. Member thinks that the phrase 'monthly remuneration' is a truncated phrase whereas in clause 347, it is a somewhat elongated phrase. All I can say is that whatever it may be, interest payments would not possibly be included in remuneration.

Shri Tulsidas: Then why not accept my amendment?

Shri C. D. Deshmukh: Therefore, I am advised that it is not necessary to accept the amendment that he has suggested because the position is fairly clear.

4 P.M.

Then there was Shri Bansal's amendment. We are not dealing with that amendment today. I should like to tell him that in principle I accept his amendment. We shall try to improve the language; with our amendment; we shall try to work out his amendment. I won't give the text of it because there is ample time if the House agrees not to vote upon it now.

There should be correspondence between the substantial portion of the clause and the proviso that we are introducing. So, our amendment shall incorporate Shri Bansal's amendment.

[MR. DEPUTY-SPEAKER *in the Chair*]

I come now to the small points because I think I have dealt with the others and if there is anything left I shall have another opportunity of covering the same ground when we come to clause 347, clause 351 and clause 352.

Then with regard to the tax-free payments. Shri Tulsidas asked why we are prohibiting tax-free payments to officials apart from the directors. He pointed out that so far as the U.K. was concerned it was only confined to payment to directors. But, it seems to me that the principle is just the same. Here is what the Cohen Committee say in paragraph 88:

> "*Payment to Directors of fees and salaries tax-free*: In our view the payment to directors of fees or salaries tax-free should be prohibited. The principal objection to this practice is that it creates a class of persons who gain from any increase in taxation. If the remuneration were free of surtax it would be still more objectionable. It would be difficult for the shareholder even if he were able to obtain information as to the amount of tax-free payment to estimate the total amount of remuneration before payment of tax as the amount of tax payable by the individual director but in fact borne by the company would vary according to the total income of the director."

Obviously, that logic applies to any other official and the shareholders should not be set this very difficult arithmetical problem of finding out what the gross pay is of which the net pay free of tax is paid to a large number of employees. It will not be possible for them to calculate that. Even we who deal with income-tax require the expert assistance in order that we may get the correct answer to this. Therefore, it seems to me that there is no logical difference between this applying to the directors and applying to the rest of the officials. That, I think, is the position.

Shri Tulsidas: My point, as I said in my speech, is that Government has employed people with tax-free salaries.

Shri C. D. Deshmukh: I have not finished with the hon. Member. The Chief Engineer for the Russian factory is supposed to have stipulated that he should get Rs. 4,000 tax-free. He is necessary for our purposes, whatever our law says, and the law does not prohibit it. As I just now mentioned, we have a little department which can calculate the income-tax and since we are the shareholders we are not in the same weak position as the shareholders of other companies. In other words, when we agree to give Rs. 4,000 to that Chief Engineer, we know exactly what we are giving him in the way of gross salary. I cannot tell you now; do not ask me. But, it will be possible for us to get the answer. The point I am making is that it is not possible for the ordinary shareholder. Therefore, there is no violation of principle here. Neither is there any discrimination. It is question of what is equitable so far as the shareholder is concerned. Is it fair to cast that burden on the shareholder, a burden which Government can carry?

Mr. Deputy-Speaker: Even here most hon. Members do not know what Rs. 4,000 free of income-tax is.

Shri C. D. Deshmukh: They may not be able to say. But the Public Accounts Committee may probably know a little more. They get a few instances that are shown up to them. That is all that has to be said about these tax-free salaries. He referred to perquisites so far as technicians are concerned.

Then there is the question of discrimination.

Shri Tulsidas: Even in regard to others.

Shri C. D. Deshmukh: Anyway the answer is that if there is any? I am not aware of any clause permitting tax-free salaries.

Shri Tulsidas: Today a private partnership firm can employ a person with tax-free salary.

Shri C. D. Deshmukh: I say that in future if any foreign technician is brought, he may be employed tax-free but no other official.

Shri K. K. Basu: A foreign company can appoint tax-free officials.

Mr. Deputy-Speaker: He says that a partnership, a private company and a foreign company can appoint a person with tax-free salary; whereas the public company alone is prohibited. Why should it be so?

Shri C. D. Deshmukh: We are trying to safeguard the public company. We are not trying to safeguard the foreign company nor are we safeguarding the private company. In any case, that matter can be looked into. Two wrongs do not make one right. Even if that is wrong one might be able to review that matter.

Then there was a point in regard to tax-free dividends. I had dealt with it in my reply and I have a long note here also which I refrained from reading on the last occasion. But I have already exceeded my time. It comes to this. If the company pays in advance on behalf of the shareholder then if he is a shareholder who gets a refund he gets the whole refund; otherwise he may get a smaller refund. But there is no specific payment made than except on behalf of the shareholder. It is only a way of recovering income-tax and, as I explained the other day, the expression 'income-tax free' is a misnomer in that connection.

Shri C. C. Shah: There is no benefit.

Shri C. D. Deshmukh: There is no benefit.

Then I should refer to Shri Tripathi's amendment. I think it is a misconceived thing, that is to say, to deal with questions of fair wages, living wage and the minimum wage and so on. I think it is a very strange idea that you must pay for your management only as you are able to pay a different kind of men. There are other means by which you can secure that workmen are paid a fair minimum. In other words, these things ought to be decided on other grounds and not only on the ground that this payment is coupled with a scheme of payment to the management. I think, from the point of view of labour itself, it would be unfair. I should say that if it is a decision to ensure that minimum wages are paid, they should be paid irrespective of what the management is paid and if the management cannot afford to pay then they should not run the business. You can secure minimum wage or living wage under the labour laws. Therefore, I think, the amendment is misconceived and I

[Shri C. D Deshmukh]

am not able to accept even the principle of it.

Then there was the question of securing economic policy. This is a broad issue and we shall come to it when we come to the clauses which limit the number of companies of which one may be a director or the number of companies which a managing agent should have. I do not think I shall take the time of the House by treading on that ground here.

I think I have dealt with most of the important points raised by the hon. Members; but, if they find that any important point has not been answered by me, if they will remind me, I shall try to answer it. As far as I can see, I have done with them. I have covered the whole ground.

Mr. Deputy-Speaker: Let me put the amendments and clauses to vote. I will go on clause by clause and if any hon. Member wants any amendment to be put to vote. I will do so.

Clause 197 is postponed.

Clause 198.

Shri K. K. Basu: I want amendment No. 650 to be put to vote.

Mr. Deputy-Speaker: The question is:

> Page 99, line 14--
>
> *for* "two years" *substitute* "one year".

The motion was negatived.

Mr. Deputy-Speaker: The question is:

> "That clause 198 stand part of the Bill."

The motion was adopted.

Clause 198 *was added to the Bill.*

Mr. Deputy-Speaker: Clause 199.

Shri Tulsidas: I want my amendments Nos. 202, 203 and 204 to be put.

Shri K. K. Basu: Also my amendment No. 651.

Mr. Deputy-Speaker: The question is:

> Page 99—
>
> (i) line 18—
>
> *for* "officer or employee" *substitute* "director".
>
> (ii) lines 18 and 19—
>
> *for* "whether in his capacity as such or otherwise" *substitute* "in his capacity as director".

The motion was negatived.

Mr. Deputy-Speaker: The question is:

> Page 99, line 28—
>
> *for* "officer or employee" *substitute* "director".

The motion was negatived.

Mr. Deputy-Speaker: The question is:

> Page 99, line 29—
>
> *omit* "any".

The motion was negatived.

Mr. Deputy-Speaker: The question is:

> Page 99, lines 30 to 35—
>
> *for* "such provision shall have effect during the residue of the term for which he is entitled to hold such office at such commencement, as if it provided instead for the payment of a gross sum subject to the tax in question, which, after deducting such tax, would yield the net sum actually specified in such provision." *substitute* "such provisions shall be void".

The motion was negatived.

Mr. Deputy-Speaker: The other amendments, I take it, are not pressed.

The question is:

"That clause 199 stand part of the Bill."

The motion was adopted.

Clause 199 was added to the Bill.

Mr. Deputy-Speaker: The question is:

"That clause 200 stand part of the Bill."

The motion was adopted.

Clause 200 was added to the Bill.

Mr. Deputy-Speaker: New clause 200A. There is amendment No. 606 of Shri Sadhan Gupta.

The question is:

Page 100—

after line 13, *insert*:

"200A. *Prohibition of management of company by tax-evaders*—(1) No person who has been found guilty by any court or tribunal of evading any tax payable by him shall take any part in the promotion, formation or management of any firm, company, or other body corporate.

(2) Any person on being found guilty as aforesaid shall forthwith vacate any office that he may be holding which is concerned with promotion, formation or management of any firm, company or other body corporate.

(3) In the case of a person who has been found guilty as aforesaid before the commencement of this act, the provisions of sub-section (2) shall apply as if he had been found guilty as aforesaid at the date of commencement of this act.

(4) This section shall apply notwithstanding any want of jurisdiction in the court or tribunal on account of any technical defect in its constitution or composition."

The motion was negatived.

Mr. Deputy-Speaker: So, there will be no new clause added. The question is:

"That clauses 201 and 202 stand part of the Bill."

The motion was adopted.

Clauses 201 and 202 were added to the Bill.

Mr. Deputy-Speaker: Clause 203. Amendments Nos. 307 and 308 moved by Government are there.

The question is:

Page 102—

for lines 12 to 21, *substitute* the following:

"(i) unless the firm or body corporate aforesaid is already the managing agent or secretaries and treasurers of the company: or

(ii) unless a partner in the firm aforesaid or a director or member of the body corporate aforesaid, being a private company, or a director of the body corporate aforesaid, not being a private company, is already the managing agent of the company or a member of the firm director or member of the private company or director of the body corporate, not being a private company which firm, private company or body corporate is already the managing agent or the secretaries and treasurers of the company."

The motion was adopted.

Mr. Deputy-Speaker: The question is:

Page 102, sub-clause (5)—

in lines 34 and 35, *for* sub-clause 5, *substitute* the following sub-clause:

"(5) Any office or place in a company shall be deemed to be an office or place of profit under the company, within the meaning of this section, if the person holding it obtains anything by way of remuneration, whether as salary, fees commission, perquisites, the

[Mr. Deputy-Speaker]

right to occupy free of rent any premises as a place of residence, or otherwise."

The motion was adopted.

Mr. Deputy-Speaker: I take it that the other amendments are not pressed.

The question is:

"That clause 203, as amended, stand part of the Bill."

The motion was adopted.

Clause 203, as amended, was added to the Bill.*

Mr. Deputy-Speaker: Clause 204.

Shri M. S. Gurupadaswamy: Amendment No. 78 may be put to vote.

Mr. Deputy-Speaker: The question is:

Page 103, lines 3 to 6—

omit all the words *after* the word "company".

The motion was negatived.

Mr. Deputy-Speaker: The other amendment, I take it, is not pressed. The question is:

"That clause 204 stand part of the Bill."

The motion was adopted.

Clause 204 was added to the Bill.

Mr. Deputy-Speaker: The question is:

"That clauses 205 to 207 stand part of the Bill."

The motion was adopted.

Clauses 205 to 207 were added to the Bill.

Clauses 208 to 250

Mr. Deputy-Speaker: The House will now take up clauses 208 to 250. The time allotted is three-quarters of an hour.

Shri M. C. Shah: It is an hour and a quarter. Three-quarters of an hour were added to the first group and an hour and a quarter was allotted for this group. That was agreed to already.

Shri S. V. Ramaswamy (Salem): On this batch of clauses......

Mr. Deputy-Speaker: I have not yet finished.

Shri Altekar: Let us sit for half an hour more.

Mr. Deputy-Speaker: At five o'clock we have got an half-hour discussion. Are hon. Members willing to sit half an hour longer?.

Shri K. K. Basu: This half-hour discussion cannot be put off.

Mr. Deputy-Speaker: Then we will try and make up in other groups. Let us devote an hour and a quarter for this group. There are 45 minutes today.

Shri C. D. Deshmukh: I have tabled my amendments in regard to clauses 208 to 239 and I think hon. Members have got their consolidated list of amendments before them. There is no important amendment here. They are all either drafting improvements or clarificatory or self-explanatory, and, therefore, I shall not trench on this one hour and a quarter which has been allotted for the discussion of this group by explaining these amendments, except by explaining to Shri Sinhasan Singh that these things are inevitable in a Bill of this complexity and that the quest for perfection always continues.

Mr. Deputy-Speaker: Hon. Members who wish to move their amendments will kindly hand over the numbers of their amendments at the Table and I will take note of them.

Shri S. V. Ramaswamy: In this group of clauses I shall confine myself to the Government amendment No. 310 and my own amendments Nos. 463 and 464.

Mr. Deputy-Speaker: A quarter of an hour will be taken up by the hon. Minister and we have got, therefore, one hour for the hon. Members, who can each have five to ten minutes.

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*In clause 203, line 11, the words "unless the firm or body corporate is already", were omitted as patent error under the direction of the Speaker.

Shri S. V. Ramaswamy: I shall try to be very brief. The amendments relate to clause 225, which deals with the qualifications or disqualifications of auditors. In the original Bill, the clause relating to this was 211 and there is in it a provision to the effect that a company may appoint a person as auditor with the approval of the Central Government although he is not a chartered accountant or is not in possession of similar qualifications but if he has adequate knowledge and experience in the matter. This provision has been dropped and instead of that, sub-clause (b) to clause (1) has been added, in which it is stated:

> "or he is for the time being authorised by the Central Government to be so appointed as having obtained similar qualifications outside India."

You will see that this sub-clause does not relate to persons who have similar qualifications inside India. Apparently this is based upon the recommendation of the Company Law Committee. Amendment No. 310 of the Government seeks to restrict subclause (b) so that the only auditors who will be qualified under this clause will be the auditors coming under the Institute of Chartered Accountants. The Report of the Company Law Committee at page 127, in paragraph 172, states:

> "The two basic qualifications of auditors, needed for the purposes of the company law, are (a) that they should be professionally competent and (b) that in the performance of their duties they should show integrity and independence of judgment. No law, however, well-designed, can ensure these qualities. For, technical competence depends upon training and experience while the moral calibre of men depends on the traditions of their business, service or profession, and their mental attitude towards such traditions. On these points, therefore, section 144 of the present Companies Act, says little and rightly leaves them to be dealt with by the profession itself which has been recently reorganised in this country on all-India basis by the Chartered Accountants Act, 1949."

My humble submission is that by this amendment Government seeks to create a monopoly as regards auditors so far as the company law is concerned. I have got my objection to this sort of monopoly. Though the moral calibre was referred to by the Company Law Committee Report, there have been unfortunately cases where persons highly connected with the Institute of Chartered Accountants have submitted wrong reports and they have come up as far as the High Courts and in one case the High Court suspended a very leading member or officer of the Institute of Chartered Accountants for two years. It was said there that they wanted to create a body of men of moral calibre but it has not come up to the expectations raised when that Bill was passed. I understand that the Chartered Accountants number near about 2700 in this country. There are about 30,000 companies with a capital of Rs. 900 crores. Under the Second Five Year Plan there will be a further investment of Rs. 600 or Rs. 700 crores and possibly the number of companies will go up to 50,000. Can this small body—monopolistic body—of 2700 people cater to this vast expansion that we may expect in the field of private enterprise.....

Shri Morarka: Would they not grow?

Shri S. V. Ramaswamy: I will come to that point: how it is a stunted growth and it is not a full growth. I am glad my friend Shri Morarka has drawn me out. I understand that the training lasts about five years; the trainees have to pay a fee of Rs. 6,000 and subsequently they have got to be articled clerks, for four years without any remuneration whatsoever.

Shri K. K. Basu: No, no. The total period is five years.

Shri S. V. Ramaswamy: The first period lasts five years and then there are four years of articled clerkship without remuneration.

Shri K. K. Basu: Under what provision? Let us know that.

Shri S. V. Ramaswamy: Under the rules that govern this Institute. If I am wrong correct me. Ordinary people cannot get into this business because initially they have to pay a sum of Rs. 6,000 and study for five years and then be articled clerks for four years without remuneration; it is a very expensive business. On the other hand, you will see that the Society of Incorporated Accountants and Auditors has got about 35,000 men on their rolls as auditors, fifty per cent. of whom are lawyers and ninety per cent. double graduates.

Shri K. K. Basu: One of cheating and the other scissoring.

Shri S. V. Ramaswamy: They are double graduates. Here the qualification seems to be matriculation; now it has been raised to Intermediate.

Mr. Deputy-Speaker: I would like to make this observation. We are dealing with learned professions; we would not like some other profession to call us cheats. Likewise we should not say that one degree is for scissoring and the other is for cheating.

Shri K. K. Basu: One example is lawyers. He says double graduates. Graduate is no profession.

Shri S. V. Ramaswamy: It may be a B.A., B.L.; or B.A., B.Com.

Mr. Deputy-Speaker: Hon. Member said double graduates—that term means two degrees one of cheating and the other for scissoring. That is the remark made by Shri Basu. Let us be a little serious? We are training up our children for various businesses and we are ourselves belonging to one or the other of the learned professions. Even in business, some businessmen may be good and some may be bad and for them the whole community ought not to be condemned. Without business the country cannot flourish. Checks and balances may be there. I would only appeal to hon. Members to give respect and take respect.

Shri S. V. Ramaswamy: You have been pleased to take away five minutes of my time.

Mr. Deputy-Speaker: Shall I allow this cheating to continue; I am only trying to help the Hon. Member.

Shri S. V. Ramaswamy: I am sorry. But the time may kindly be extended.

Mr. Deputy-Speaker: Sometimes even a proper intervention becomes useless.

Shri S. V. Ramaswamy: The question is about double graduates.

Mr. Deputy-Speaker: One of cheating and the other of scissoring—that is what the hon. Member said.

Shri S. V. Ramaswamy: I protest, Sir.

Mr. Deputy-Speaker: That is exactly what I wanted to get rid of.

Shri S. V. Ramaswamy: I should have myself protested; I am sorry I could not catch the word 'cheating'.

I would respectfully submit for the consideration of the Government whether this large class of 35,000 auditors being members of the Society of Incorporated Accountants and Auditors cannot also be taken in. That is the purpose of my amendment No. 464. The previous amendment—No. 463—also refers to this specifically. The clause as it is deals only with people who have taken degrees from outside India. Why should this special favour be shown to foreign degrees even after Independence? By my amendment it would mean 'inside or outside' so that we may recognise the degrees conferred by our institutions. That is why I have sought to move an amendment to clause (b) of sub-clause (1) of main clause 225.

Shri M. C. Shah: Supposing we omit sub-section (b), is it acceptable? We are going to amend the Chartered Accountants Act also.......

Shri S. V. Ramaswamy: That is exactly my point. You are seeking to omit it. I would urge upon the Government to retain it and accept my amendment. That is what I am seeking.

Shri M. C. Shah: We also propose to amend the Chartered Accountants Act. The Institute of Chartered Accountants suggested that that should not come in this Bill and the Joint Committee said that it should be separate. We have already introduced a Bill to amend that Act and that is on the Order Paper and will come up immediately after this Bill is passed.

Mr. Deputy-Speaker: Is it on the lines suggested by Shri Ramaswamy?

Pandit Thakur Das Bhargava: No, Sir. That Bill is entirely different and the amendment is perfectly in order.

Shri S. V. Ramaswamy: I have got it in my hands; it deals with something else.

Mr. Deputy-Speaker: Therefore, the amendment of Shri Ramaswamy should be accepted. I will call upon another hon. Member.

Shri S. V. Ramaswamy: The hon. Minister also took away a few minutes and I request a few more minutes. I am not alone in saying that proper recognition has not been given to these people. They have also observed that there is paucity and inadequacy. It is on these grounds that I urge that the members of the Society of Incorporated Accountants also be given the same privilege as that given to the Chartered Accountants. Now, I am reading from page 205 of Volume II of the Taxation Enquiry Commission's Report. Although they deal with income tax questions they also will apply *mutatis mutandis* to cases arising out of Company Law. Para. 45 of the Report says:

> "An objection to the immediate adoption of any such scheme of nationalisation is that the number of qualified accountants available is quite inadequate for the purpose, and that the cost of audit will be generally increased."

The scheme referred to is the scheme to have a Directorate General of Commercial Audit.

Again on page 206, paragraph 49 they say.......

Mr. Deputy-Speaker: There is no time to quote *in extenso* from any of these reports.

Shri S. V. Ramaswamy: I will quote only four lines. It is said:

> "The number of chartered accountants at present available in India is limited. In order to give all assessees a chance of being represented at reasonable cost, it is necessary to permit them to engage persons other than chartered accountants."

That is the view expressed by the Taxation Enquiry Commission. If that is so, the same reason can apply to Company Law also. There is another reason also. These big firms are located only in big cities. Under the Five Year Plan there is a great emphasis on smallscale industries. If these companies start functioning in rural parts and in district centres, will these chartered accountants be available for those small companies? Even if they are available, at what cost will they be available? I, therefore, submit that the members of the Society of Incorporated Accountants also should be given the same privilege. Even if there should be a classification, the chartered accountants may be permitted to deal with limited companies having an authorised capital above a particular limit and the members of this Association may be allowed to deal with companies

[Shri S. V. Ramaswamy]

having a capital below that particular level.

For all these reasons I urge that my amendment be accepted and amendment No. 310 may not be pressed. There may be even three categories so that the 35,000 auditors who are now not fully employed—of whom half are lawyers—may also be provided with employment and the industry also may be benefited in the sense that the chartered accountants who have scarcity value may not be a burden upon the small industries and that these auditors may be available to them.

Shri Altekar: My amendment No. 355 to clause 218 reads:

Page 114, line 8—

after "company" *insert* "or a depositor in the company".

My object in moving this amendment is that the interests of the depositor should also be protected. The object of clause 218 is to supply balance-sheet, auditors' report, profit and loss account and also the report of the board of directors regarding the affairs of the company to members so that they may be in the know of the actual state of affairs of the company. Two classifications are made in this clause: firstly, debenture-holders whose debentures are not payable *ex-facie* to the bearer of the shareholders are entitled to have a copy of the balancesheet along with the other documents 21 days before the general meeting; and secondly those who are not so entitled to have these documents, that is those members who may not have paid their calls as also debenture-holders whose debentures are payable *ex-facie* to the bearer but who are entitled to have these documents on demand. I submit that in this second sub-clause the depositor should also be included. A depositor deposits his amounts in the company with a view to—as I know is the case in Bombay and also in Bengal—serve two purposes; that he should get a good return for the deposit as also that it should serve the patriotic cause of helping the indigenous industries. Whenever they deposit these sums the depositors are not entitled to have any vote. As a matter of fact, the Depositors' Association in Bombay had proposed that if the amount subscribed by the deposit holders is 25 per cent. of the subscribed capital the depositors should have the right to vote. But, in as much as by clause 116 we have abolished the right of debenture-holders also to vote—of course no such amendment has been proposed by me—what I propose is that the depositors should be entitled to know the actual state of affairs of the company by having all these documents.

I beg to point out that the depositors have deposited their amounts for long periods ranging from 3 to 5 years and even more than that. Further more, they are persons who come from the middle class and in many cases they are teachers, widows and so on. I know of a case where a company went into liquidation. There was a poor widow who had deposited Rs. 1500 which she had got as the sum total for her maintenance. Immediately after she deposited the money the company went into liquidation. Had the affairs of the company been known to her certainly she would not have deposited her money. At that time there were some 7 or 8 persons who had deposited Rs. 800 and Rs. 1000 and so on. There was a rush in the courts for decrees and they tried to attach certain properties of the company which were free from any floating charges or charges on immovable properties by way of debentures, mortgages and so on. Those persons are now really in a pitiable condition. In order to protect their interests I beg to point out that they should also be entitled to have these documents as provided in clause 218(2).

I would like to say that there are certain objections raised to this because it is said that the debenture-holders have got a stake in the company and in the assets of the company. It is said that they have a charge over the property; a mortgage on it. I would like to point out that they are the persons who have a greater security for their amounts. Therefore, what we are doing is, protecting the strong and throwing the weak to the winds. I would rather say that this is an argument which is in my favour because I wish to protect the interests of the weak.विधिदुर्बलघातक

It should not be like that. The law or Providence should not in any way be harsh on the weak. It should rather give protection to the weak. From that point of view I would suggest that the arguments that have been advanced saying that these persons have a stake in the company and so on proves that the depositors have no charge over the company's properties and that itself is a ground to say that their interests should be protected.

Another argument that has been advanced against the insertion of the word "depositor" in this clause is that they are very large in number. Again, that is a point which stands to my side. We require protection to be given to persons who are in large numbers and whose interests are not in any way secured by any sort of charge or any security. Therefore, I would like to submit that their interests should be protected and that they should be entitled to have a copy of the balance-sheet etc.

I would like to point out that when we are making provision for supplying balance-sheet and other documents to debenture-holders the interest of the depositors also needs to be protected, if not to a grater extent. I would, therefore, submit that my amendment should be accepted.

There are certain other steps that I would like to be taken in the interests of depositors. But for that, I have given amendments to clause 292. So far as this amendment is concerned, it is a simple one. The depositors should be entitled to have the balance-sheet along with those debenture-holders and also the members of the company should have it. Their interests need to be protected. We have seen the pitiable sight both in Maharashtra as also in Bengal and it is high time this was done. It has been so clearly borne out that these interests require to be protected. It is therefore that I have moved my amendment. Without taking any further time of the House, I request that the Government should be pleased to accept my amendment.

Shri Ramachandra Beddi (Nellore): I have two small amendments, one to clause 225 and the other to clause 223. As regards the amendment to clause 225 which requires omission of sub-clause (b), Government has given an amendment—No. 310—and it covers my point, and therefore, I do not speak upon that except expressing that I support that Government amendment.

Under clause 223(5), Government takes power to appoint auditors. It sometimes happens that when a general body meets and decides certain questions, the auditor may not be readily available or the outgoing auditor might not be willing to continue as auditor of that company or suddenly something might happen to that auditor, so much so that the possibility of appointing an auditor then and there at the general body meeting might not arise. Therefore, I suggest that if there is a provision in the Bill that auditors can be appointed by the directors themselves on the authorisation of the general body, it would be good. That is why I gave notice of amendment No. 378 which says:

Page 116, line 44.

after "reappointed" *insert*:

"and where no authorisation is given to the Board of Directors so to appoint or reappoint".

[Shri Ramachandra Reddi]

I suggest that whenever there is the possibility or the necessity of giving an authorisation to the board of directors to appoint the auditors, that must be accepted by the Government. In fact, I do not see any reason in the Government coming forward to appoint the auditors themselves in certain circumstances. It might as well be left over to the companies themselves to be decided in their general body meeting or to the directors, if they are so authorised. The Government themselves will have to appoint the auditors from amongst the list of auditors who come under the Chartered Accountants Act of 1949. If there is some delay on the part of the company in appointing the auditor, then the Government rushes in and appoints an auditor. This is somewhat objectionable for the simple reason that the Government cannot take every power under the Act even including the appointment of auditors. This is not at all desirable and reasonable. If there is any necessity on the part of the Government to appoint auditors, they might put up a list or panel of auditors from whom the companies can choose. Otherwise there is no guarantee that the appointment by the Government of such auditors in any company would be done within the time that is expected. Also, there is no guarantee that nepotism would not come in when the Government begins to appoint their auditors. If there is a fear of connivance by the auditor with the company, how is the Government going to remove it by appointing their own auditors? Is the Government sure that the auditors that they might appoint will be free from any such accusation of connivance with the companies as against the Companies Act? So, the integrity, respect and capacity of the auditors, as long as they are governed by the Chartered Accountants Act and as long as the Government is vigilant about the provisions of that Act, must be recognised. I do not see any reason why the companies should not be allowed a free hand to appoint their auditors at any stage whatever. As I have already said, there is no guarantee of the integrity of those auditors simply because they are appointed by the Government. So, I will have to press that amendment when it is put to vote.

Shri Tulsidas: I have tabled amendments Nos. 217 and 218. These amendments seek to exempt private companies from the requirement regarding filing of copies of audited balance-sheets. Under the present Act these are not necessary and the Bhabha Committee recommended the inclusion of the present provision basing its views mostly on the recommendations of the Millin Commission on this subject. But I may point out that even though the Millin Commission had recommended this provision, it was not incorporated in the South African Companies Amendment Act of 1952. The Cohen Committee in England on which we have based a number of our clauses in this Bill, recommended a special class of companies. Many times, in answer to questions arising out of a number of amendments that I have suggested, the Finance Minister has quoted the Cohen Committee's recommendations. I may, therefore, quote here, in this particular case, the Cohen Committee's recommendations in this regard. The Cohen Committee also went into this question and had this to say on this subject in paragraph 50 of their report:

> "There is a demand that all private companies should be required to file their accounts; it is argued that the existing exemption deprives traders of information which they require in deciding whether to grant credit to a private company, and the trade unions of information which they need to enable them to assess the justice of the wage rates offered be employers. The value to creditors or trade union of the information that would be derived from a perusal of the annual accounts of a company was the

> subject of much difference of opinion among the witnesses who gave evidence before us".

Then, in paragraph 51, they say:

> "We have had evidence that the publication of the accounts of small companies would give large concerns valuable information about the finances of the small rivals; while the latter do not gain any corresponding advantage from the publication of accounts of the larger concerns. The larger and more diversified the business of a company the less useful to competitor is the information which he can derive from a perusal of accounts even if other things are equal. But other things are not equal, because whatever a small company learns from the accounts of the larger rival, the large concern may be able to drive the small out of business, but the latter can do little harm to the former".

Basing these recommendations of the Cohen Committee, the U.K. Act has included a special category, a new category, and they call it as exempt private companies. This recommendation has been implemented by the U.K. Government and they have included this provision in their Act. In the U.K. there are over a quarter of a million companies on the registers, a great majority of which are private companies, and some 60 per cent. of the private companies are exempt private companies. Besides the number as well as the paid-up capital of the private companies are increasing in the U.K. faster than the number and paid-up capital of public companies. As I have observed last time during the consideration stage, you will see that even the Cohen Committee has also given the same evidence that though the public may have interest in such concerns, the banks and other people who give credit to those concerns have access to get their accounts whenever they approach them for any facilities they require. Therefore, I do not see the reason why particularly these private companies should be made to file their balance sheets for registration. Private companies are formed mainly because of these advantages provided by the joint-stock form of organisation, namely, limited liability for its members, legal entity for the members and so on. The law itself prohibits formation of firms having more than 10 members. In recent years in India there has been a rapid increase in private companies, both in their number and in their paid-up capital. From 15,964 in 1950-51, their number increased to 17,337 in 1952-53; from Rs. 210 crores in 1951, their paid-up capital increased to Rs. 253 crores in 1952-53. As against this, during the same period, the number of public companies declined from 12,500 to 12,000.

As I said, private companies are particularly suited to small-scale and medium-size enterprises, and in our second Five Year Plan such enterprises are expected to increase rapidly. As I have pointed out, even though in England they have exempt private companies, in our present Bill we have not made any provision to create such a category of private companies which are called "exempt private companies". If that has been done, then there would be some justification. I still would like that if the hon. Finance Minister does not find it necessary to allow this complete exemption to all the private companies in view of other considerations, there should be no objection to create a separate category of private companies like exempt private companies. When we are having a Bill which has got about 50 per cent. of its clauses already in the U.K. Act, it would not at all be difficult to create exempt private companies, having a separate schedule. This is already there in the U.K. Act. This aspect of the question must have been taken into consideration, because in the future setup, we will have our medium-scale

[Shri Tulsidas]

industries and small-scale industries run by the private companies and it is no use allowing these private companies to be at the mercy of the bigger people, because they will have all these accounts filed to register and they will be known to everybody. I would request the hon. Minister to consider this suggestion, namely, that though this exemption need not be given to all the private companies in view of the peculiar set-up like the managing system existing in our country, at least they should consider the creation of a category of exempt private companies in the same way as in the U.K. Act.

My other amendment to clause 225 relates to the question of auditors. You know very well that when a qualified auditor audits the accounts of a company, the charges are usually quite heavy. As long as the shareholders of the private companies are quite satisfied with regard to the audit of their companies' accounts, why should there be this enforcement of having a qualified auditor? In England where they have exempt private companies, they have exempted these companies from having qualified auditors. As I said, the public are not interested in these private companies to the extent that they are interested in public companies. The argument may be raised that people who are interested to have these private companies, would naturally look to the private companies for credit and would ask them to submit the accounts and balance sheets which they would require. But I ask, why give this publicity to the accounts of those companies which have to function under a particular handicap? I am suggesting that my amendments to clauses 225 and 219 should be taken into consideration. If that is not accepted, I would request the hon. Minister to consider having a separate schedule for exempt private companies on the lines of the U.K. Act. When we are basing our entire Bill on the U.K. Act and have gone even much further, it is not at all difficult to make a further provision to create such exempt private companies, as they exist in U.K. The Millin Commission in South Africa recommended this provision and that is why the Bhabha Committee has recommended it. But the Millin Commission's recommendation has not been accepted by the South African Government when they passed the Amending Act in 1952. I would therefore request the hon. Minister to consider this question and accept my amendments. Otherwise, I am quite willing to the idea of a separate schedule being incorporated in this Bill on the basis of the U.K. Act.

Pandit Thakur Das Bhargava: I propose to speak on several clauses in this group. The first thing that I would beg to mention is in regard to the inspectors. The inspectors have been given very wide powers and I am afraid that some of the powers given to the inspectors are of such nature that they may be held to be *ultra vires*, so far as these provisions are concerned. Clause 245 runs as follows:

> "A copy of any report of any inspector or inspectors appointed under section 234 or 236 authenticated in such manner, if any, as may be prescribed, shall be admissible in any legal proceeding as evidence of the opinion of the inspector or inspectors in relation to any matter contained in the report."

You will be pleased to see that so far as this report is concerned, it is a one-sided report; on the basis of the inspectors' report action may be taken under this clause. Under clause 241, the Government can pass an order for the prosecution of those persons mentioned in the inspectors' report. Again, under clause 242, an application for winding up of a company can be made on the basis of the inspectors' report. Similar provisions for the recovery of damages or property on inspectors' report are contained in clause 243. So, this inspectors' report has been given that kind of weight which we can only find given to the report mentioned in the Income-tax Investigation Commission Acts. Even the evidencial value of the report has been provided under clause 245. I do not understand how the opinion of an inspector when he investigates into the affairs of a company will become evidence. If a sub-inspector of police investigates into a case, his opinion is not at all relevant, but in this case it appears that the inspector's opinion becomes relevant.

Pandit K. C. Sharma (Meerut Distt.—South): It is relevant for formal evidence.

Pandit Thakur Das Bhargava: My friend should not interfere when he does not know the subject. What is formal evidence?

Pandit K. C. Sharma: I am referring to the sub-inspector's report.

Pandit Thakur Das Bhargava: Excuse me. Supposing the sub-inspector says that someone might be guilty, is that opinion relevant? Not at all. But so far as clause 345 is concerned, the evidence of the inspector becomes relevant. There is no question of formal evidence at all. My submission is that according to law, no opinion of such a person becomes relevant and therefore I object to clause 245. This is not all. If you look into the other provisions in this group, you will be pleased to find that some responsibilities are cast upon associates and other people and the relations of those persons against whom investigation is going on to give all possible assistance to the prosecution. There is also a provision that they must assist and ordinarily even when the investigation goes on, if a person is called upon by the inspector, he should give his evidence on oath even if he is the person against whom inquiry is being made.

Mr. Deputy-Speaker: The hon. Member may resume his speech on the next day.

5 P.M.

Shri C. C. Shah: May I point out that 1½ hours allotted for this group is too short a period? You must have seen that there are so many Members desiring to speak. This is a very important clause. I can assure you that after clause 388, the time allowed, namely 22 hours won't be required. One hour more may be allotted to this group.

Shri M. C. Shah: As it was said that we are going to sit up to 5, we decided 1½ hours. If the House agrees to sit late, that is another thing.

Mr. Deputy-Speaker: The Business Advisory Committee has recommended that whenever it is necessary we may sit one additional hour. If the House is willing, we can sit for one hour more. There is a half-an-hour discussion tomorrow also. Until the Companies Bill is over, let there be no half-an-hour discussions. Today we have to take up.

Pandit Thakur Das Bhargava: The House will not be interested after we finish clause 388. The subsequent clauses relate to winding up. So much time will not be taken. You will be pleased to agree that we may give one hour more to this group. We will be able to make up the time.

Mr. Deputy-Speaker: Let us see. Tomorrow, there is again a half-an-hour discussion. One hour after the half-an-hour discussion will not be useful. Let us see from day after tomorrow. If we do not make progress, we will sit longer hours.

Some Hon. Members: Yes.

Shri C. C. Shah: Am I to take it that one hour more will be given?

Mr. Deputy-Speaker: I am prepared to give two hours more. What is my

[Mr. Deputy Speaker]

objection? Let us see. If hon. Members want to speak, let them speak. I have no objection.

The following are the members of amendments to clauses 208 to 250 of the Companies Bill, which the hon. Members have intimated to be moved subject to their being otherwise admissible.

Clause No.	Amendments Nos.
208	693, 687 (Govt.)
209	688 (Govt.)
210	309 (Govt.), 694, 695, 696, 697, 689 (Govt.), 690 (Govt.)
211	698, 691 (Govt.)
213	699
216	317(Govt.), 700, 701,792(Govt.)
218	611, 612, 613, 355, 614
219	217, 597, 318 (Govt.), 218
223	702, 703, 705
223A (New)	220
224	708, 709, 710, 599, 711, 600, 601, 602
225	310 (Govt.) 319 (Govt.) 713, 714, 221
226	715, 603
227	717, 718, 719
229	604
230	311 (Govt.), 720, 721
233	312 (Govt.), 724
234	725, 726, 727, 576 (Govt.), 728 729, 730, 732
235	733, 734, 735
236	577 (Govt.), 736
239	313 (Govt.)

Clause 208.—(*Books to be kept etc.*)

Shri K. K. Basu: I beg to move:

Page 105, line 20—

after "summarised returns" *insert*:

"from competent officers of the branch office".

Shri C. D. Deshmukh: I beg to move:

Page 106—

after line 7, *add*:

"(7) If any person, not being a person referred to in sub-section (6), having been charged by the managing agent, secretaries and treasurers, or Board of Directors, as the case may be, with the duty of seeing that the requirements of this section are complied with, makes default in doing so, he shall, in respect of each offence, be punishable with fine which may extend to one thousand rupees."

Clause 209. — (*Annual accounts and balance sheet*)

Shri C. D. Deshmukh: I beg to move:

Page 107—

after line 6, *add*:

"(6) If any person not being a director of the company having been charged by the Board of Directors with the duty of seeing that the provisions of this section are complied with, makes default in doing so, he shall, in respect of each offence, be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to one thousand rupees, or with both:

Provided that no person shall be sentenced to imprisonment for any such offence unless it was committed wilfully."

Clause 21 —(*Forward contents of balance sheet etc.*)

Shri C. D. Deshmukh: I beg to move:

(i) Page 107, *after* line 12—

insert the following as proviso to sub-clause (1):

"Provided that nothing contained in this section shall apply to any insurance or banking company, or to any other class of company for which a form of balance sheet has been specified in or under the Act governing such class of company".

(ii) Page 107, *after* line 16—

insert the following as a proviso to sub-clause (2):

> "Provided that nothing contained in this sub-section shall apply to any insurance or banking company, or to any other class of company for which a form of profit and loss account has been specified in or under the Act governing such class of company."

Shri K. K. Basu: I beg to move:

(1) Page 107—

omit lines 17 to 22.

(2) Page 107, line 21—

omit "either unconditionally or".

(3) Page 107, *after* line 22, *insert*:

> "Provided that the reasons for the exemption are recorded in writing."

(4) Page 107, *after* line 28, *insert*:

> 'Provided that the reasons for the modifications are recorded in writing."

Shri C. D. Deshmukh: I beg to move:

(1) Page 108, line 22—

after "this section" *insert*:

> 'and the other requirements aforesaid".

(2) Page 108—

after line 25, *add*:

> "(8) If any person, not being a person referred to in sub-section (6) of section 208 having been charged by the managing agent, secretaries and treasurers, or Board of directors, as the case may be, with the duty of seeing that the provisions of this section and the other requirements aforesaid are complied with, makes default in doing so, he shall, in respect of each offence, be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to one thousand rupees, or with both:
>
> Provided that no person shall be sentenced to imprisonment for any such offence unless it was committed wilfully."

Clause 211.—(*Balance sheet of holding company etc.*)

Shri K. K. Basu: I beg to move·

Page 110, *after* line 31, *insert*:

> "Provided that the reasons for the exemption shall be recorded in writing."

Shri C. D. Deshmukh: I beg to move:

Page 110, *after* line 44, *add*:

> "(10) If any person, not being a person referred to in sub-section (6) of section 208, having been charged by the managing agent, secretaries and the treasurers, or Board of directors, as the case may be, with the duty of seeing that the provisions of this section are complied with, makes default in doing so, he shall, in respect of each offence, be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to one thousand rupees, or with both:
>
> Provided that no person shall be sentenced to imprisonment for any such offence unless it was committed wilfully."

Clause 213.—(*Rights of holding company's representatives etc.*)

Shri Krishna Chandra: I beg to move:

Page 111, line 28,

for "alone" substitute "also".

Clause 216.—(*Board's report*)

Shri C. D. Deshmukh: I beg to move:

Page 112—

lines 31 to 33, *for* sub-clause (4), *substitute* the following sub-clause:

> "(4) The Board's report shall be signed by its Chairman if he is authorised in that behalf by the Board; and where he is not so authorised shall be signed by such number of directors as are required to sign the balance-sheet and the profit and loss account of the company by virtue of sub-sections (1) and (2) of section 214".

Shri K. K. Basu: I beg to move:

(1) Page 112, *after* line 33, *insert*:

> "Provided that the dissenting note or report, if any, shall be published along with it."

(2) Page 112, line 42, *add* at the end:

> "and he can prove that he made diligent efforts to prevent the non-compliance of sub-section (1) to (3) and the contravention of sub-section (4)."

Shri C. D. Deshmukh: I beg to move

Page 113, *after* line 2, *add*:

> "(b) If any person not being a director, having been charged by the Board of Directors with the duty of seeing that the provisions of sub-sections (1) to (3) are complied with, makes default in doing so, he shall, in respect of each offence, be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to two thousand rupees, or with both;

> Provided that no person shall be sentenced to imprisonment for any such offence unless it was committed wilfully."

Clause 218—(*Right of member to copies of balance sheet etc.*)

Shri Sadhan Gupta: I beg to move:

Page 113, line 22—

after "to every member of the company" *insert* "to every employees' delegate".

(2) Page 114, line 7—

add at the end,

> "and by all the employees' delegatest present at the meeting".

(3) Page 114, line 8—

after "any member" *insert* "or employees' delegate".

Shri Altekar: I beg to move:

Page 114, line 8—

after "company" *insert* "or a depositor in the company".

Shri Sadhan Gupta: I beg to move:

Page 114, *omit* lines 28 to 34.

Clause 219.—(*Two copies of balance sheet etc.*)

Shri Tulsidas: I beg to move:

Page 114—

omit lines 49 to 52.

Shri Bansal: I beg to move:

(i) Page 114—

omit, lines 49 to 62; and

(ii) Page 115—

line 1, *omit* "or private".

Shri C. D. Deshmukh: I beg to move:

Page 114—

in line 51, *for* the words "together with" *substitute* the words "and of".

Shri Tulsidas: I beg to move:

Page 115, line 1,

omit "or private".

Clause 223.— (*Appointment and remuneration of auditors*)

Shri Krishna Chandra (Mathura Distt.—West): I beg to move:

Page 116, line 30—

after "retiring auditor" *insert*:

"except the first auditor or auditors appointed under sub-section (5)".

(2) Page 116, line 31—

for "shall be re-appointed" *substitute:*

"shall be deemed to be re-appointed without any resolution being passed therefor".

(3) Page 117, line 33—

add at the end:

"and the Central Government shall give the auditor, an opportunity of representing his case before granting the aforesaid approval."

New Clause 223A.

Shri N. P. Nathwani: I beg to move:

Page 117,

after line 43, *insert*:

"223A. Notwithstanding anything contained in section 223, where it appears to the Central Government on the application of either of not less than one hundred members or of members holding not less than one-tenth of the shares issued, that there is good reason so to do, it may appoint a duly qualified person to be an auditor of a company in supersession of or in addition to an auditor or auditors appointed by the company in general meeting, for such period and on such other terms as the Central Government thinks fit".

Clause 224.—(*Provisions as to resolutions for appointing or removing auditors*).

Shri Krishna Chandra: I beg to move:

(1) Page 118, *for* lines 4 and 5, *substitute*:

"(2) Within three days of the receipt of such a notice the company shall send a copy thereof to the retiring auditor".

(2) Page 118, line 7—

after "auditor" *insert*:

"within three days of the receipt thereof".

(3) Page 118, line 8—

omit "(not exceeding a reasonable length)".

Shri Sadhan Gupta: I beg to

Page 118, line 9—

after "to members of the company" *insert* "and to employees" delegates".

Shri Krishna Chandra: I beg to move:

Page 118, line 10—

omit, "unless the representations are recieved by it too late for it to do so".

Shri Sadhan Gupta: I beg to move move:

(1) Page 118, lines 11 and 12—

after "to members of the company" *insert* "and to every employees' delegates".

(2) Page 118, lines 14 and 15—

after "member of the company" *insert* "and to every employees' delegate".

(3) Page 118, lines 30 and 51—

Omit "notwithstanding that he is not a party to the application".

Clause 225.—(*Qualifications and disqualifications of auditors*)

Shri C. D. Deshmukh: I beg to move:

(1) Page 118—

in lines 39 to 44, *for* the words and figures beginning with the words "unless either" and ending with the words "outside India" at the end of sub-clause (1), *substitute* the words and figures "unless he is a chartered accountant within the meaning of the Chartered Accountants Act, 1949 (XXXVIII of 1949)".

(2) Page 119, sub-clause (3) (b)—

in line 17, *for* "officer or servant" *substitute* "officer or employee".

Shri Krishna Chandra: I beg to move:

(1) Page 119, line 18—

after "partner" *insert* "or a relative".

(2) Page 119, line 20—

after "company" *insert* "or to any officer of the company or any of his relatives".

Shri Tulsidas: I beg to move:

Page 119, *after* line 46, *add:*

"(6) Nothing contained in this section shall apply to a private company, unless it is a subsidiary of a public company."

Clause 226.—(*Powers and duties of auditors*).

Shri K. K. Basu: I beg to move:

Page 120 line 28—

after "proper" *insert* "and audited".

Shri Sadhan Gupta: I beg to move:

Pages 120 and 121—

omit lines 33 to 47 and 1 to 7 respectively.

Clause 227.—(*Audit of accounts etc*)

Shri K. K. Basu: I beg to move:

(1) Page 121, lines 9 and 10—

omit "unless the company in general meeting decides otherwise."

(2) Page 121, line 10—

after "be audited" *insert:*

"either by the company's auditor or".

Shri Krishna Chandra: I beg to move:

Page 121, line 18—

after "visit" *insert* "at the expense of the company".

Clause 229.—(*Reading and inspection of auditor's report*)

Shri Sadhan Gupta: I beg to moved:

Page 121, line 37—

add at the end "or any employees' delegate".

Clause 230.—(*Right of auditor to receive notices etc.*)

Shri C. D. Deshmukh: I beg to move:

Page 121—

in line 41, *before* the words "be forwarded" *insert* the word "also".

Shri K. K. Basu: I beg to move:

Page 121, line 42—

after "company" *insert* "or its branch auditor, if any".

Shri Krishna Chandra: I beg to move:

Page 121, line 42—

after "attend" *insert* "at the expense of the company".

Clause 233.—(*Power of Registrar etc.*

Shri C. D. Deshmukh: I beg to move:

Page 123, sub-clause (7)—

in line 4, *after* the word "creditor" *insert* the words "or any other person interested".

Shri Jhunjhunwala: I beg to move:

Page 123, line 7—

after "purpose" *insert*:

or to manage in a way so as to be oppressive to any class of shareholders".

Clause 234.—(*Investigation of affairs etc.*)

Shri K. K. Basu: I beg to move:

Page 123, line 27—

for "two hundred" *substitute* one hundred".

Shri Sadhan Gupta: I beg to move:

Page 123, line 27—

for "two hundred members" *substitute* "fifty members"

Shri K. K. Basu: I beg to move:

Page 123, line 28—

for "one-tenth" *substitute* "one-twentieth".

Shri Sadhan Gupta: I beg to moved:

Page 123, line 28—

for "shares issued" *substitute*.. total voting power therein".

Shri Sadhan Gupta: I beg to move:

(1) Page 123, line 28—

add at the end "or by oneployees' delegate or employees" delegates holding one-twentieth of the total voting power comhated by excluding the employees delegates".

(2) **Page** 123, **line 28—**

add at the end "or by one-fourth of the number of employees of the company who are workmen within the meaning of the Industrial Disputes Act, 1947 (XIV of 1947)".

Shri K. K. Basu: I beg to move:

Page 123, line 28 *add* **at the end** "or of the employees" organisation".

Shri Sadhan Gupta: I beg to move:

Page 123, line 31, *add* at the end:

"or by one-fifth of the number of employees of the company who are workmen within the meaning of the Industrial Disputes Act, 1947 (XIV of 1947)".

Clause 235.— *Application by Members etc.*)

Shri Sadhan Gupta: I beg to move.

(1) Page 123, line 35, and wherever it occurs in this clause, *after* "members" *insert* "or employees' delegates".

(2) Page 123, line 35 and wherever it occurs in this clause, *after* "members" *insert* "or employees".

(3) **Page** 123, **line** 41, *after* "the applicants" *insert* "who are not employees of the company".

Clause 236.— *Investigation of company's affairs etc.*)

Shri C. D. Deshmukh: I beg to move:

Page 124. line 7, *after* "creditors" *insert* members".

Shri Sadhan Gupta: I beg to move: Page 124, line 8—

after "unlawful purpose" *insert* "or with intent to defraud or evade any obligation towards any of its employees".

Clause 239 .—(*Production of documents etc.*)

Shri C. D. Deshmukh: I beg to move:

Page 126, sub-clause (6)—

lines 28 to 35,

Reletter paragraphs (a) and (b) as paragraphs (b) and (c) respectively; and *insert* the following definition as paragraph (a), namely:

"(a) the expression 'officers', in relation to any company or body corporate, includes any trustee for the debenture holders of such company or body corporate".

Mr. Deputy-Speaker: All these mendments are before the House for discussion.

REGROUPING OF RAILWAYS

Mr. Deputy-Speaker: Half-an-hour has been allotted for the discussion regarding regrouping of railways raised by Shri Mukerjee. How long does the hon. Member propose to take?

Shri H. N. Mukerjee (Calcutta—North-East): Ten to twelve minutes.

Mr. Deputy-Speaker: The hon. Minister.

The Minister of Railways and Transport (Shri L. B. Shastri): Ten minutes.

Mr. Deputy-Speaker: The rule is that other hon. Members are not entitled to make speeches. They can only put questions. I have received intimation of their names: more than 6 Members. If I allow one minute or 1½ minutes, I think I will be able to finish. It is only for the purpose of eliciting answers.

Shri H. N. Mukerjee: I wanted to have this discussion in order to secure some clarification over the answer given by the Minister to Starred question No. 91 on the 26th July. On that day, in answer to a question, the Minister was pleased to say that no fresh regrouping of Indian Railways was contemplated with the exception of the division of the Eastern Railway into two zones about which a public announcement had already been made, and he attached to the answer a copy of the public announcement. I wish to raise some questions which arise out of this answer of the Minister and the public announcement enclosed therewith.

During the discussion of the Railway Budget last February, there were certain demands for an expert examination of the working of railway regrouping and the Minister chose to say that it was a settled fact. Now, the country has accepted not only the fact, but also the desirability of the zonal system of railways. But, what concerns us is the desirability from time to time of having a serious expert examination of the working of that regrouping. The Minister himself said that he was having the matter under continuous and constant review. My complaint is that it is very necessary today—I wish the Minister to apply his mind carefully to this point—to have a long range perspective instead of leaving it to the Efficiency Bureau or any other comparable organisation, which works necessarily within bureaucratic and other limitations. I say this because in the public announcement attached to his answer to the question in Parliament, the Minister said:

> "The impact of the Second Five Year Plan on other zonal railways will be felt to a varying degree. Experience of working indicates the necessity for certain adjustments within the existing organisational set-up of some of these zones and necessary adjustments will be carried out as and when required."

This, I feel, is proceeding in a piecemeal fashion, and piecemeal philosophy in working the railways is, I fear I must say, a kind of perversion of planning. That is to say, it is necessary for us today to have a really comprehensive approach to the whole matter, and that is why I suggest that while I cannot, because I have not got the requisite knowledge, pronounce upon the rights and wrongs of the division of the Eastern Railway into the Eastern and South Eastern Railway—I suppose it is all for the better—the whole matter deserves and requires systematic and basic study, not the kind of perfunctory review which the Minister says his advisers are making from time to time. I say this because the Railway Corruption Enquiry Committee has also, according to reports put out, suggested that there should be an examination of the working of re-grouping. Therefore, this point cannot be brushed aside. The division of the Eastern Railway suggests—after all, the importance of the Eastern Railway, its work-load and all that sort of thing was not news to the hon. Minister, he knew all about it in 1952—that everything is perhaps not very lovely in the railways' regrouped garden. I therefore press the point that the Minister's reply to the question in Parliament raises this point regarding the examination of regrouping systematically, seriously, earnestly and not by such bureaucratic mechanisms as reference to the Efficiency Bureau or any other comparable organisation.

In the statement I also find certain observations and certain decisions which are rather grave. Certain offices have been transferred—offices of the North-Eastern Railway—from Calcutta to Gorakhpur. When I say this I beseech the Minister to disabuse his mind of any notion that I am speaking with a provincial bias.

Shri Raghunath Singh (Banaras Distt.—Central): No, no. Not at all.

Shri H. N. Mukerjee: As a matter of fact, I have seen in Calcutta demonstrations against the Minister's decision which are by no means exclusively Bengali demonstrations, and Greater Calcutta is a city which perhaps has a larger Hindi-speaking population than any other place in India. I find in this statement of the Minister that it is said that staff who volunteer to go to Gorakhpur will be given some preference in the allotment of quarters there. There is no categorical assurance that those members of the staff who choose to go will definitely get accommodation there. I say this because Gorakhpur is a difficult place, and those of the staff who want to go, who volunteer to go, must certainly feel that they are going to get allotment of quarters there.

I wish also to point that in the minds of the employees there is very serious perturbation because of the repudiation by the Minister in his public announcement of assurances given by the late Shri Gopalaswamy Ayyangar regarding non-transfer to Gorakhpur or Delhi from Calcutta of staff who were not agreeable on their own to such transfer. This assurance was given in 1952, and the Minister says:

> "The contingency then contemplated has long been over."

I feel this is a cryptic and somewhat mystifying statement. After all, assurance is the currency of communication between Government and its employees, and if that currency collapses, then certainly the position becomes very dreadful. The Minister himself had said in this House in 1952:

> "To allay the misgivings in the minds of the staff, I would repeat the assurance given by the Prime Minister and my predecessor that by reason of the formation of these three zones there will be no retrenchment and no non-gazetted staff will be transferred without their consent. It is needless for me to state that it will continue to be the constant endeavour of the Railway Ministry to preserve the rights and privileges, and the legitimate prospects of all class III and class IV staff."

The legitimate prospects were also mentioned by the hon. Minister. And today the employees feel that not only their jobs but certainly their legitimate prospects are in a very great jeopardy. I have also found that in answer to Starred Question No. 413, the hon. Minister has said:

> "For the present, only three offices and 387 staff will be affected by the transfer, but all the 387 will be absorbed on the Eastern and South-Eastern Railways."

I want to be categorically informed as to what exactly is going to happen, because from the side of the employees, representations are coming to us, which suggest that nearly one thousand people or more are now going to be surplus, and they feel that it is not only that they are going to be surplus but also that the problem of seniority would be a persistent

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headache of such a sort that many people who are entitled to confirmation will not be confirmed, and that the prospects of others will be jeopardised. That is a point which is worrying everybody in the North-Eastern Railway today.

When the regrouping was done, many people became surplus, because the Allahabad, Moradabad and Lucknow divisions were taken away from the Eastern Railway and given to the Northern Railway. So, quite a large number of people appeared to be surplus at that time. From the figures supplied to us by the unions, we find that about 1,000 to 1,500 people are going to be affected. And in any case, there is going to be this question of seniority.

I am told that the Ministry is trying to find out some kind of formula by means of which seniority could be adjusted, and the prospects of these people would not be endangered. But I want to find out very definitely and categorically from the hon. Minister as to what he is going to do about it.

I do not wish to take more of the time of the House, but my main points are, that there must be a real serious enquiry regarding the working of regrouping, specially in view of the Corruption Enquiry Committee's recommendation, and pending that enquiry, let the *status quo* remain. The heavens would not fall if today the transfer contemplated in the Minister's order is postponed for some time. In the meantime also, temporary staff who have been suffering for so long—because many of these people belonged to the Bengal and Assam Railway; they had to go to Pandu for some time, and then they came to Calcutta, and because Calcutta is a big place, they could somehow adjust themselves to Calcutta life—are now being told to go off from Calcutta to Gorakhpur. So, the domestic economy of these people is going to be upset in a very serious manner. And that is why I say, let the *status quo* be maintained, pending a serious examination of the working of regrouping; and in the meantime, the temporary staff should be confirmed. No transfer of headquarters staff from Calcutta to these places should be done without the consent of the people involved, and full accommodation should be assured for those people who are willing to go to Gorakhpur.

I would only conclude on this note that the railwaymen are a magnificent corps of workers—they may have their faults—and the railways are so important to the country, that it is very necessary to have a contented personnel on the railways. I have seen the demonstrations in Calcutta. Even as we are having this discussion today, I have seen in the papers that they are going to have a demonstration in Calcutta this afternoon. This suggests that something is wrong somewhere, and as far as we have been able to find out the facts, the Minister's statements are somewhat cryptic and somewhat mystifying. We want a categorical explanation of the entire position, and an assurance to the employees that they are not going to suffer.

Shrimati Renu Chakravartty (Basirhat): I want to put the question, which my hon. friend Shri H. N. Mukerjee has raised, namely how Government propose to deal with this question of seniority and permanency. This is a point which is troubling both those who are in Gorakhpur as well as those who are in Calcutta. I would also like to know from Government, how many people will be affected by it, in what way they propose to solve this problem, and by what time they will be able to have a combined seniority list prepared. This is all what I want to ask.

Shri B. K. Das (Contai): In addition to the question of seniority that has been raised, I want to know whether the emoluments of the staff that will be transferred to Gorakhpur will also be affected.

I also want to know if any kind of option will be allowed to be exercised in the matter of transfer of these officers. Again, what is the possibility as regards the number of staff that can be absorbed in the new zones that have been formed?

Shri Sadhan Gupta (Calcutta South-East): On the same question of seniority, I understand that the difficulty regarding determination of seniority arises because seniority was determined in different railways on different bases. In some railways, it was determined from the date of entry into service; in some railways, it was determined from the date of confirmation. So people in different railways on the same date of entry had different lengths of seniority according to that rule. When these two categories are brought in the same railway, there will be anomalies regarding seniority; people serving longer would be displaced by people who have served a less number of years on account of the date of entry on account of it being counted on the basis of date of entry in one case and date of confirmation in the other. Therefore, I want to know whether Government have any scheme for preventing that kind of anomaly and thereby allaying discontent. I also understand that this would affect not only the staff in Calcutta offices which are left there, but also the staff who are at present in Gorakhpur because the staff who will go to Gorakhpur from Calcutta will also affect the seniority of the Gorakhpur staff and, therefore, this is likely to create discontent in Gorakhpur. Is that also a fact?

Shri K. K. Basu (Diamond Harbour): I would like to know the exact position, as to how many of the employees are now declared to be surplus after the branch has already been shifted to Gorakhpur.

Shri L. B. Shastri: This problem of regrouping has become a bone of contention for sometime past and I have already assured the House that the question would receive our dispassionate consideration. The Eastern Railway, after regrouping had especially become one of the heaviest charges and with all the new development works that are to take place in that zone, the work-load on the system would naturally increase all the more. I had referred to my budget speech to the work-load on the Eastern Railway, and I had said that the matter was receiving our earnest consideration. We gave serious thought to that matter and came to the conclusion that the Eastern Railway should be divided into two, and we have done that. I do not think Shri H. N. Mukerjee now really feels concerned over the present set-up of regrouping of the railways. He is naturally more worried about the staff which is to be transferred from Calcutta to Gorakhpur, and I can very well realise his anxiety over that matter. As regards regrouping, I would like to make it clear that I somehow do not agree with Shri H. N. Mukerjee that an expert examination of that subject is called for at the present moment. There is no point in referring that question to a committee or commission in a general way. What we have decided is that after sometime when the railways are expanding or have expanded much and the work-load has considerably increased, we might split the area of that one railway or expanded much and the work-load has two or even more. I personally do not consider it advisable to keep this question as a live issue and thus create unnecessary misapprehensions in the minds of the staff. I do not thereby mean to suggest that this matter should not be considered further. But it should be done only at the appropriate time.

Shri A. M. Thomas (Ernakulam): May I enquire whether in the light of the Railway Corruption Enquiry Committee Report Government intends to re-examine the whole matter?

Shri L. B. Shastri: Before the Railway Corruption Enquiry Committee had submitted its report I had made that announcement that we did not consider the setting up of any com-

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mittee or commission necessary for going into the question of the regrouping of railways. I had said that long before and even a few days before the Committee submitted its report I had made that announcement in Calcutta. We are considering the various recommendations of the Anti-Corruption Committee and we have taken certain decisions also on their recommendations. This matter is still under our consideration in so far as the recommendation of the Committee is concerned. I am confining it to that only. We will certainly consider this recommendation of theirs along with their other recommendations.

But, up till now from what we have thought over this subject, we do feel that it is not at all necessary to set up any committee or commission for this purpose. My reason, as I said, for doing so is that I somehow do not agree with Mr. Mukerjee. He said that the Railway Board are bureaucratic, that their mechanisms are bureaucratic and they will not be able to give fresh thought to this matter and they may take a rigid view about it. He should not say so because it was the Railway Board which came to the decision that the Eastern Railway should be divided into two because they said that the technical need was there and it was necessary that the Eastern Railway should be divided into two railways. I still think that the Railway Board will always keep an open mind on this subject. I do not mean to say that this division of the Eastern Railway is the last word on the problem of regrouping of railways. If the Railway Board will keep a closed mind on the subject, they will do it at their own cost and at the cost of the general welfare of the country. I would, therefore, appeal to Mr. Mukerjee and the House that this matter should be left in our hands and they should feel assured that if we find that there is need for further consideration or for further creation of new railways or new zones we will not simply like to sit over it because certain decisions have already been taken.

On what the hon. Member has said about the transfer of certain offices from Calcutta to Gorakhpur, I would not like to take much time of the House. I shall merely narrate the facts in brief and, perhaps, they will answer all the points which have been raised by other Members of this House about the question of seniority, emoluments etc.

At the time of regrouping in 1952, it was decided to locate, as a matter of expediency, some of the North-Eastern Railway offices at Calcutta. Altogether 10 North-Eastern Railway offices employing 1,887 class III staff are at present located in Calcutta. Of these, 328 are *ex*-B.N. Railway staff although they have been engaged on North-Eastern Railway foreign accounts work, and these men will be absorbed on South-Eastern Railway when the work is taken over by the North-Eastern Railway staff. This means that there are 1,559 North-Eastern Railway staff at Calcutta at present. Five out of the ten offices employing 658 men will continue to function at Calcutta as at present. The work of the remaining five offices will be transferred from Calcutta, but in lieu, additional accounts offices employing 634 men will be opened in Calcutta. The remaining men,—the number perhaps will come to 267—will for the present continue to deal with pending claims cases of the North-Eastern Railway at Calcutta and will be released gradually and utilised for the clearance of arrears of work. It is expected that they will be absorbed in course of time in the North-Eastern Railway offices in Calcutta. It will thus be seen that less than 300 men—as I said it is 267—are likely to be affected if none of them volunteers to go out of Calcutta, and in any case all these men will be absorbed in the North-Eastern Railway offices at Calcutta itself. The arrangement which has now been made will not compel the staff to go to Gorakhpur if they do not want it. Secondly, they will all be absorbed in the North-Eastern Railway; they will not have to be absorbed either in the Eastern Railway or in the South-Eastern Railway. So, the question of seniority, etc., will not be a serious matter and will not create any special difficulty. In a few cases there might be some difficulty, but on the whole there will be no difficulty as they will be absorbed in the same Railway in which they are working. As I have said before, I can say it even now that those who do not want to go to Gorakhpur will not be compelled to go there and it is entirely open to them to decide whether they would like to go to Gorakhpur or whether they would like to remain in Calcutta. If they remain in Calcutta, they will be absorbed; except for about 300 people who already belong to the *ex*-B.N. Railway and who will certainly be absorbed on the South-Eastern Railway, all the others will be on the North-Eastern Railway. So far as their pay is concerned, it is certainly protected whether they remain in Calcutta or go to Gorakhpur. The protection is there. I do not think that this should not be considered a fairly satisfactory arrangement.

As regards transfers from one Railway to another, in the normal circumstances, to my mind, that is entirely a different matter and I do not want to maintain in this respect any distinction between the Eastern, Southern or other Railways. The rules and regulations governing such transfers should remain the same for all the Railways. I have not gone back on what I had said or what Shri Gopalaswamy Ayyangar or the Prime Minister had said. On the question of general transfers from one Railway to another, although generally the practice is that class III employees are not transferred from one Railway to another, but in special cases such transfers do take place, and in that matter I do not propose to make any distinction between one Railway and another. If a Northern Railway goods clerk can be transferred to the Eastern Railway, certainly a goods clerk of the Eastern Railway can be transferred to the Northern Railway. In that matter I have made it clear that no distinction will be made between one railway and another railway. On that point I am clear and I stick to it and I think that that is a right decision and it should be supported by Shri Mukerjee also. But as regards the shifting of the offices in connection with the division of the two railways, I have done my utmost and I am really sorry that the staff should go about making demonstrations in the streets of Calcutta and not doing their work whereas all the time since we announced this decision I have been at it any trying to accommodate the staff as much as possible and on their side instead of waiting for our decision they have been roaming about in the streets making demonstrations which were hardly necessary. I may tell Shri Mukerjee that if he could go and see the Claims Office of the North-Eastern Railway, he will find it scandalous. I do not feel happy to say so but the position there is simply scandalous in the sense that no work is done—not during the last two or three months, he may see the record for the last two years—for the past so many months. He will find that the position, as I said, is scandalous; the work is wholly unsatisfactory. No work has been done and all the time agitation has been going on. I can show him in confidence the progress of the work done in the Claims Office. I saw the report only a fortnight back. I had to hang down my head in shame. I would therefore, appeal to him and all the public leaders that they should request the staff not to ignore their work. They should in fact concentrate on their work. I went to Calcutta, I discussed every matter there and gave three or four hours and was prepared to give more time. I felt that most of the workers were completely satisfied with the decision I had taken and when they raised the question of seniority, we went into the matter further. We have considered it and the decision which I have just now announced has already gone to the

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railways; we have sent our instructions. This further solves the problem or difficulty that was felt by the workers in regard to their seniority in case they were absorbed in any other railway. All these have been practically solved.

Shri Mukerjee wants to create more zones. Does he realise what will happen to the staff if new railways are created? The staff problem will be immense. He wants us to take a step in the midst of the huge work that we are going to take up. Our Second Five Year Plan is going to be a stupendous affair. I do not want, as I said, to create confusion and misapprehension in the minds of the staff that new railways are going to be created soon. They will all be waiting for that time and hardly be able to attend to their work. Therefore, it is not at all proper at the present moment to raise this question. As I said, I have an open mind and the Railway Board has an open mind. In case we find that the work-load in one railway has increased and it is necessary to divide the railway or to reduce the work-load on one railway, we will certainly do so. But I shall appeal to all railway workers that they should fully co-operate with us in the execution of our policies which I have just now explained.

The Lok Sabha then adjourned till Eleven of the Clock on Thursday, the 1st September 1955.